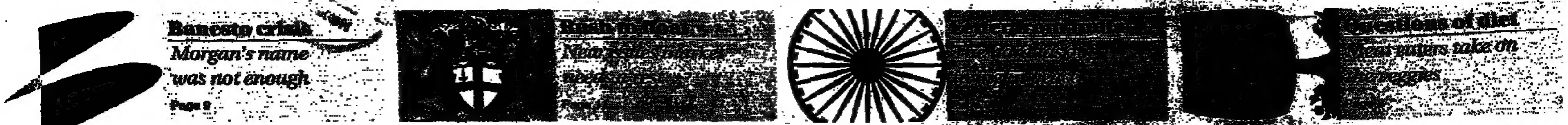


FINANCIAL TIMES

Europe's Business Newspaper | THURSDAY DECEMBER 30 1993 | D8523A

IN TOMORROW'S FT

MAN OF THE YEAR

PLUS

1993 in Review

Eurotunnel drops £1bn suit against France and UK

Eurotunnel is to drop most of its estimated £500m-£1bn ($750m-$1.5bn) of claims against the British and French governments in return for an extra 10 years on its concession to operate the Channel tunnel. The concession, extended to 65 years, will end in 2052.

The deal clears the way for Eurotunnel to complete talks with its bankers for added funding to cover start-up costs for the tunnel, which opens in March. The cost of the tunnel has risen from £6bn in 1987 to about £10bn, partly because of safety, security and environmental measures demanded by the two governments. Page 10

US outlook buoyant: The US economy is poised for a healthy start to 1984 according to the index of leading economic indicators, which rose 0.5 per cent in November. Page 10

Rescue for Rai: The Italian government approved L700bn ($421m) of emergency aid to prevent the state-run broadcasting corporation, the Rai, from bankruptcy proceedings. Page 2

Diplomatic accord: Israel and the Vatican will tomorrow sign an agreement to establish full diplomatic relations between the Jewish state and the Holy See. Page 2

Zhirinovsky returns to Moscow: Russia's ultra-nationalist leader Vladimir Zhirinovsky returned to Moscow after a 10-day trip to Europe, during which he was refused entry to Germany and expelled from Bulgaria. Page 2

Dinar cut by nine zeros: The Yugoslav National Bank slashed nine zeros from dinar notes in an attempt to slow hyperinflation in Serbia and Montenegro. Some 18 zeros have gone in the past three years. Page 10

Gota Bank will today open a civil court action to demand damages from former board members in the Swedish government's latest attempt to hold bank executives and directors accountable for last year's loan loss crisis. Page 11

Walt Disney chairman Michael Eisner has written to shareholders of the US entertainment group, describing Euro Disney, the troubled French theme park, as his company's "first real financial disappointment". Page 11; Lex, Page 9

Arms export probe: Britain's arms-for-Iraq inquiry is to investigate allegations that officials from armaments company Royal Ordnance helped a German small-arms manufacturer evade embargoes on defence exports in the 1980s. Page 4

Mercedes-Benz, vehicle subsidiary of Daimler-Benz, is to increase commercial production outside Germany, concentrating on south America, China and Indonesia. Page 12

Hong Kong plans to scrap some restrictions on foreign ownership of TV stations but will press ahead with legislation to limit cross-media ownership. Foreign ownership is currently restricted to 49 per cent of non-franchised stations. Page 3

Siemens chip plant: The decision by Germany's largest electronics manufacturer to invest more than DM2.4bn ($1.42bn) in a new microchip production and research plant in Dresden may kill two birds with one stone. Page 2

New York bombings: A family vendetta sparked a bombing blitz in New York state that left five people dead. A woman and two men were to be charged in connection with the killings. Page 3

Antiquities handed over: Israel gave Egypt 100 cases of antiquities as part of an agreement to return everything found by archaeologists during its 15-year occupation of the Sinai peninsula.

STOCK MARKET INDICES		
FT-SE 100	3,462.0	(+49.7)
Yield	3.4	
FT-SE Eurotrack 100	1,466.20	(+6.80)
FT-A All-Share	1,698.75	(+1.3%)
Nikkei	17,272.83	(+140.82)
New York: lunchtime		
Dow Jones Ind Ave	3,792.93	(-0.84)
S&P Composite	470.58	(-0.35)
US LUNCHTIME RATES		
Federal Funds	2¾%	
3-mo Treas Bills: Yld	3.095%	
Long Bond	100½	
Yield	6.238%	
LONDON MONEY		
3-mo Interbank	5⅝%	(5⅞%)
Liffe long gilt future	Dec 121⅜	(Dec 120½)
NORTH SEA OIL (Argus)		
Brent 15-day (Feb)	$13.37	(n/a)
Gold		
New York Comex (Feb)	$391.8	(388.5)
London	$386.7	(386.75)

STERLING		
New York lunchtime:		
$	1.4815	
London:		
$	1.4815	(1.502)
DM	2.5624	(2.545)
FFr	8.7141	(8.6825)
SFr	2.1684	(2.16)
Y	166.758	(166.25)
£ Index	82.0	(81.7)
DOLLAR		
New York lunchtime:		
DM	1.7245	
FFr	5.856	
SFr	1.4633	
Y	111.73	
London:		
DM	1.718	(1.695)
FFr	5.8425	(5.78)
SFr	1.4545	(1.4385)
Y	111.8	(110.9)
$ Index	67.4	(66.9)
Tokyo close Y 111.80		

Austria	Sch30	Greece	Dr300	Lux	LFr65	Qatar	QR12.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lev25.00	Iceland	IKr225	Neth	Fl 3.75	Slovak Rp	Sk45
Cyprus	C£1.00	India	Rs45	Nigeria	Naira45	South Africa	R12.00
Czech Rp	CZK45	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta210
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20
Finland	FM12	Jordan	JD1.50	Philippines	Pso45	Syria	S£50.00
France	FFr9.00	Kuwait	Fils600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Esc215	Turkey	L9000
						UAE	Dh11.00

China to let yuan float at 'swap centre' rate

Plan for exchange prices to be unified from January 1

By Alexander Nicoll, Asia Editor

China underlined its determination to press ahead with market-oriented economic reforms by announcing yesterday that the country's exchange rates would be unified from January 1.

The present officially set rate for the yuan will be abolished. The new single rate, expected to be based on that already quoted in "swap centres", where most foreign exchange transactions take place, will be controlled by the state but will float and reflect market forces.

"This unitary and controlled floating exchange rate system based on market demand and supply will replace the current dual-track system," said the central bank, quoted by the official Xinhua news agency.

The government had promised to reform the currency in 1994. The decision to move earlier than expected suggests that Mr Zhu Rongji, vice-premier in charge of the economy and central bank governor, is retaining his authority to push through reforms in the face of vested interests within the communist system.

Fundamental changes to China's tax system are also being introduced from January 1 even though mechanisms for central tax collection are not in place. The changes include new tax-sharing arrangements between the central government and the provinces and introduction of a nationwide consumption tax. Reforms of the banking system are also in progress and deregulation of prices is continuing.

Although the new rate for the yuan is not yet known, the currency reform is likely to mean a substantial technical devaluation. Yesterday the official rate stood at Yn5.8 to the US dollar, against Yn8.7 in the swap centres.

In practice, however, swap centres already account for four fifths of China's trade-related transactions, according to Chinese officials.

To exercise control over the floating exchange rate, the central bank is likely to intervene in swap market trading – as it did successfully this summer when it wanted to narrow a widening gap between the official and swap rates.

State-owned enterprises, heavily subsidised in being permitted to use the official rate when importing goods, have increasingly been forced by the government into using the swap market rate.

Nevertheless, the currency change will affect state industries – 37 per cent of which are losing money – and may also worsen inflation, which is running above 20 per cent in big cities.

Officials said foreign investors, who have had to register capital in new ventures at the official rate but repatriate their profits at the swap market rate, would benefit from yesterday's decision.

Ms Wu Yi, minister of foreign trade and economic co-operation, said the reform would assist China's efforts to join the General Agreement on Tariffs and Trade.

The unification of rates means that Foreign Exchange Certificates, the currency foreigners in China are required to use, will be phased out. FECs are purchased at the official rate. No more will be printed.

Economists emphasised that the latest reforms do not mean that the yuan will become freely convertible, a step likely to be some years away.

Editorial Comment, Page 9

Arafat in Cairo as Mideast talks hit deadlock

By Julian Ozanne in Jerusalem and Shahira Idriss in Cairo

Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, arrived in Cairo last night for urgent talks with Egyptian leaders after Israel and the PLO failed to break the deadlock in peace talks.

Mr Arafat's trip is believed to have been made at the request of Egypt's president Hosni Mubarak, who was expected to press the PLO chairman to soften his stance.

However, Mr Tayeb Abdel-Rahim, the PLO's ambassador to Jordan, said Mr Arafat had gone to to Cairo with a formal rejection of "humiliating" Israeli proposals.

The two sides had earlier given conflicting statements about progress in the Cairo negotiations aimed at implementing an already delayed Israeli troop withdrawal from the Gaza Strip and Jericho.

Mr Shimon Peres, Israel's foreign minister, said the two sides had reached broad agreement but would need more talks. Israeli officials said they had offered their last compromise position and were waiting for Mr Arafat to accept their "bottom line".

At a press conference with Mr Mahmoud Abbas, the PLO's chief negotiator, Mr Peres said: "The two delegations have reached a meeting of the minds on the central issues of border crossings, the size of Jericho and matters relating to the Gaza Strip. The leadership of the two parties will now have to accept or reject this paper."

A more downbeat Mr Abbas said: "The negotiations were constructive. There were some ideas that will be discussed and we will continue to consult and negotiate and we hope to reach an agreement."

The failure of the talks came amid growing signs of a crisis in the PLO leadership over strategy and mounting criticism by rank-and-file Palestinians against the lack of consultation by Mr Arafat.

An hour before the Cairo press conference, the PLO executive committee issued a statement in Tunis rejecting the latest Israeli proposals. It insisted that Palestinians must have total control of crossings between Gaza and Egypt and between the Jericho enclave and Jordan.

The committee blamed Israel for obstructing the negotiations and withdrawing previous offers.

The Tunis statement fuelled speculation that Mr Arafat was deliberately undercutting the position of Mr Abbas. The two men have been at loggerheads over the past two months. Mr Abbas, who has boycotted several PLO meetings, is reportedly in favour of a softer negotiating stance and a greater democratisation of the PLO.

Mr Peres also appeared to indicate that the obstacle to an agreement was Mr Arafat rather than the PLO delegation. On their way out of the press conference Mr Peres shook hands with Mr Abbas and said: "We hope the leaders will follow the wisdom of the delegations."

Palestinians in the occupied territories also yesterday called on Mr Arafat to consult more widely.

Meeting of minds: Shimon Peres (left) and Mahmoud Abbas at a Cairo news conference yesterday Reuter

Banco Español de Crédito assets expected to be sold off

BBV prepares to control Banesto

By Peter Bruce in Madrid

Banco Bilbao Vizcaya, Spain's largest privately owned commercial bank, was yesterday preparing to assume control of Banco Español de Credito following the dismissal of the Banesto board on Tuesday by the Bank of Spain.

The names of nine or 10 senior BBV executives were being considered by BBV last night to run Banesto's main divisions. Mr Alfredo Saenz, BBV vice president, was named by the central bank on Tuesday as Banesto's new president in place of Mr Mario Conde. According to estimates in Madrid the value of bank's assets would be reduced by about Pta 400bn if its loan and equity portfolios were revalued correctly. That figure includes an estimated Pta 80bn shortfall in the bank's pension fund.

Although Banesto had raised about $700m this year with the help of the US commercial bank J.P. Morgan, it had clearly not been enough to satisfy the central bank.

Two weeks ago, Mr Conde had been warned to come up with a solution but had not been able to find any new money.

The BBV is close to the government and the Bank of Spain, both of which want Banesto merged with a healthy big Spanish bank. Analysts in Madrid said they expected many of Banesto's assets – its industrial holdings, its regional banking affiliate, Banco Vitoria, and its controlling stake in Portugal's Banco Totta & Açores – to be sold off, with the BBV taking the rump of the parent banking business.

Absorption of Banesto would make the BBV easily the biggest bank in Spain but it would involve a complicated process of trimming branch duplication and staff cuts.

Government and Bank of Spain officials were still warning yesterday, however, that no firm decision had been made to break up Banesto. The bank's new board spent yesterday in meetings with former Banesto officials although Mr Conde remained at his home in Madrid.

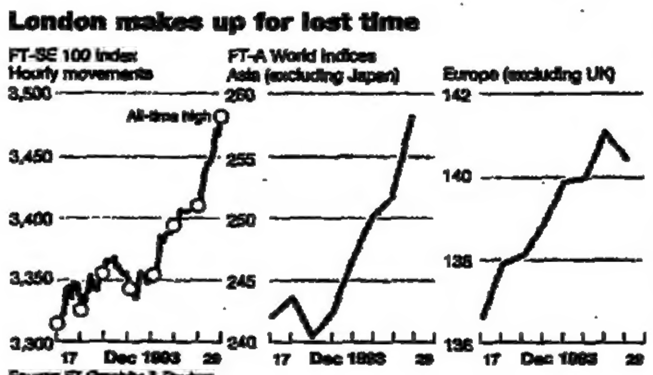
A senior Bank of Spain official said that an inspection of Banesto by the central bank in October had uncovered worrying

Continued on Page 16
Tarnish ruins the rosy picture, Page 9; Lex, Page 10; Leader Page 9

London shares hit new high as world markets rise again

By Terry Byland and William Cochrane in London

London makes up for lost time



Source: FT Graphite & Reuters

The UK stock market made a powerful return from the Christmas holiday yesterday with the FT-SE 100 Index gaining 49.7 points to reach a new all-time high of 3,462.0.

This marked its third largest daily gain of the year – although not in percentage terms.

Retail stocks and banks led the market forward as London caught up with record performances this week by other world markets and also anticipated lower interest rates and continued UK economic recovery.

Favourable reports on Christmas trading from the retail sector encouraged investors, whose expectation that domestic interest rates will fall in the new year were buttressed by firmness in sterling and in UK government bonds.

The stock market is looking forward to a cut in base rates in the new year but some analysts now warn that this may be held back until the spring when domestic consumers will feel the effects of tax increases introduced in the Budget.

Government optimism over the domestic economy and housing market reports from the Halifax, Britain's biggest mortgage lender, also boosted confidence.

The FT-SE Index closed well below the day's best reading of 3,474.2 but was still 1.5 per cent up on the session.

On December 1, it registered a rise of 66.3 points or 2.1 per cent. Yesterday a strong premium on the FT-SE futures March contract again provided a lead.

Share prices were higher from the opening of trading as international stocks traded in the London market, which had been closed since Christmas Eve, took on board strong performances recorded in Hong Kong, Tokyo and in other world stock markets earlier this week.

Outside the UK, the markets which have risen the furthest this year – in Asia – continued to sustain their rallies as equities wobbled across continental Europe. New highs were registered in Singapore, Malaysia, the Philippines, Taiwan, Indonesia and Pakistan.

In Europe, Germany fell for the second successive day, closing around the 2,280 mark, although the French CAC index registered a new closing high.

Spanish stocks dropped another 1.5 per cent after Tuesday's 1.3 per cent fall, shaken and apprehensive after the Bank of Spain dismissed the entire board of Banesto, the country's fourth biggest bank.

Currencies, Page 24
Bonds, Page 13
London stocks, Page 17
World stocks, Page 28

CONTENTS

هكذا من الاصل

Italian government cash rescues state broadcaster

Rai saved from bankruptcy

By Robert Graham in Rome

The Italian government yesterday approved an emergency L700bn ($420m) financial package to prevent the state-run broadcasting corporation, the Rai, from bankruptcy proceedings.

The package has been the subject of intense negotiations between the government, political parties and Rai management. Mr Carlo Azeglio Ciampi, the prime minister, agreed to provide the aid only after being given evidence of a big reorganisation at the Rai and cuts of L370bn next year.

Mr Silvio Berlusconi, the media magnate who controls more than 85 per cent of Italian commercial television and who nurtures political ambitions, attacked the government rescue of rival channels. "This is the final blow at the end of the year: a government which regards its task as complete decides to allocate some L500bn of public money to the coffers of the Rai."

The Italian cabinet yesterday decided to send troops to crime-ridden Calabria and Naples and extended a similar anti-Mafia operation in Sicily, Reuter reports. The government first flew troops to Sicily in July 1992 after a car bomb killed Mr Paolo Borsellino, the top anti-Mafia judge, and five of his escorts in Palermo. Mr Borsellino died two months after the Mafia killed Mr Giovanni Falcone, another leading judge.

The Rai is expected to have accumulated losses of L560bn at the end of this year, with a further L750bn expected in 1994. Management has been unable to fund the usual extra month's Christmas pay.

The measures are primarily a book-keeping exercise. The government has allowed a L300bn increase in the value of the Rai's fixed assets. It has also accepted the conversion into equity of L360bn owed to the treasury.

At the same time the government is allowing a 5 per cent increase in the annual licence fee from L148,000 to L156,000. Also the proportion going directly to the Rai has been increased from 84 per cent to 91 per cent.

A final boost to the broadcaster's finances will come from a reduction in the annual concession fee paid to the state. This will be cut from L165bn to below L40bn.

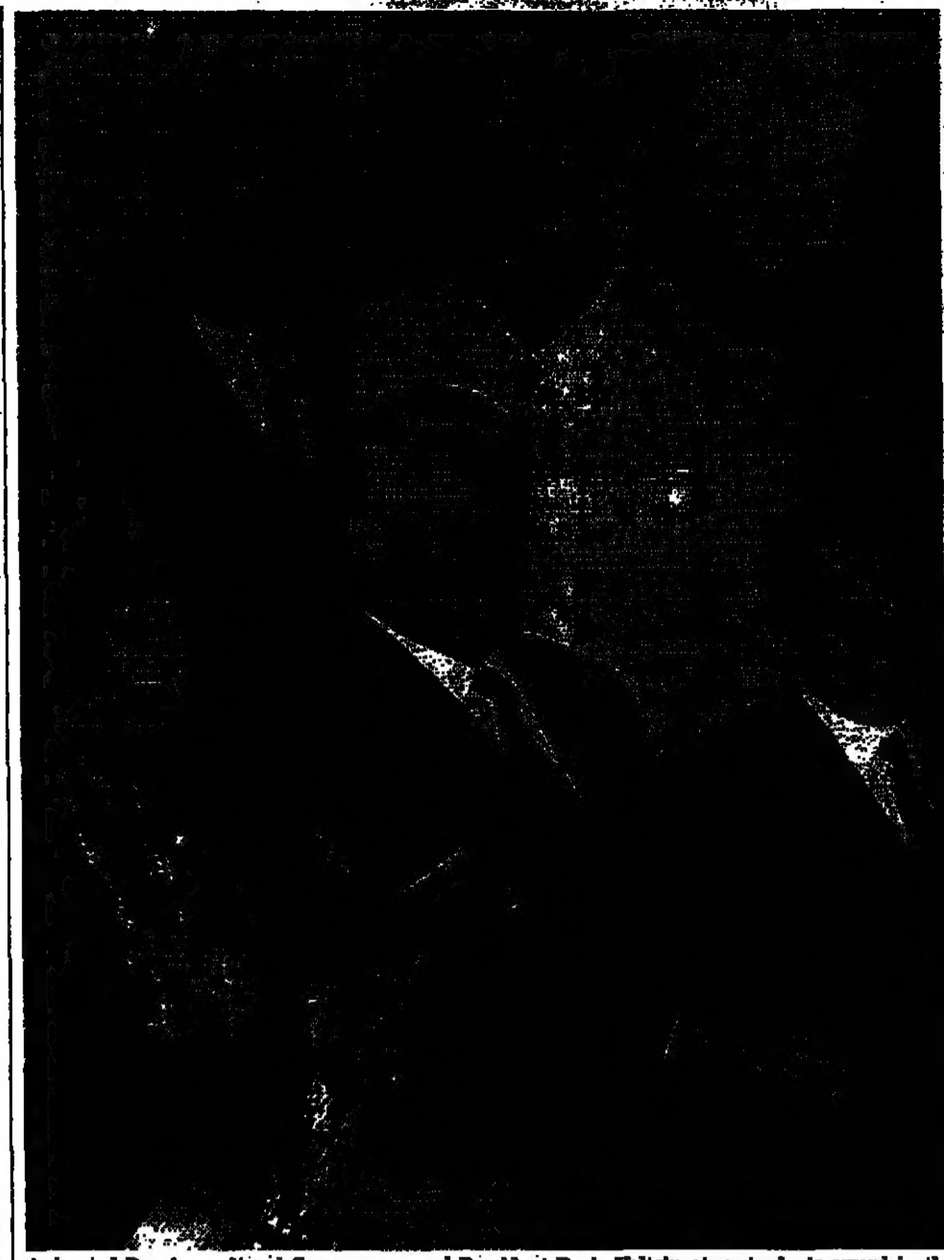
The Rai is owned by Iri, the state holding company, but the debt conversion means that the treasury's deposit guarantee institute will become a shareholder. The government has insisted on a sixth board member to represent this stake, giving it a direct say in management.

Traditionally, the Rai has been answerable to the leaders of the main political parties who agreed a carve-up of influence so that the broadcaster's first and main channel was controlled by the Christian Democrats, the second by the Socialists and the third by the Communists, now the Party of the Democratic Left. The outgoing parliament could still sabotage the package.

In the past six months new management has sought to end this political control, budgets have been trimmed, some 800 jobs have been cut and star entertainers have been asked to take salary cuts of up to 20 per cent. A further 900 jobs are expected to go next year.

Magistrates have also been called in to investigate corruption in the construction of a new headquarters and suppliers' contracts.

The broader issue of the future of state-run television is unlikely to be addressed until after the next general election. But Mr Berlusconi's political ambitions and the way he obtained his commercial networks from a now discredited Christian Democrat and Socialist dominated government will bring the question of television services into sharp relief.



Animated Russian cultural figures surround President Boris Yeltsin at yesterday's award in the Kremlin of the annual state prize for artistic achievement Reuter

Zhirinovsky ends tour as Germany bars entry

By Judy Dempsey in Berlin and Jill Barshay in Moscow

Mr Vladimir Zhirinovsky, Russia's ultra-nationalist leader, yesterday returned to Moscow after a controversial 10-day trip to Europe, during which he was refused an entry visa to Germany and Bulgarian authorities expelled him.

Mr Zhirinovsky and seven of his aides had been due to arrive in Berlin last night at the start of an 18-day visit. However, a spokesman for Germany's foreign ministry said the leader of Russia's Liberal Democratic party was barred from entering the country on the grounds that his presence would damage German interests.

The German media had earlier this month sharply criticised the authorities for granting Mr Zhirinovsky a visa.

Bulgarian authorities deported the maverick politician after accusing him of meddling in the country's internal affairs. Mr Zhirinovsky, who is reported to have referred to President Zhelyu Zhelev as "scum", was stranded at Sofia airport because of a pilots' strike.

The Russian politician has hardly spared a government or leader from his insults since embarking on his trip to Europe 10 days ago.

Romania's parliamentary deputies and senators yesterday condemned Mr Zhirinovsky's statement in which he referred to their nation as "an artificial state of Italian gypsies".

He also accused Greece and Turkey of planning to conquer the Balkans.

The Russian Foreign Ministry has distanced itself from Mr Zhirinovsky and said attention only served to give him more publicity.

"Russia has nothing to do with the statements of the Liberal Democratic party leader Vladimir Zhirinovsky and does not share his opinions," an official said.

Israel and Vatican to sign pact

By Robert Graham

The Vatican and Israel are due to sign an agreement today normalising diplomatic relations and smoothing over a troubled past between the Catholic Church and the Jewish people.

The agreement has been painstakingly negotiated by a bilateral commission established in July 1992 although the groundwork was laid in 1964 when Pope Paul VI visited Jerusalem.

Both the Holy See and Israel stand to benefit from the agreement, finalised in Rome yesterday. It formalises the Catholic Church's right to operate in the Holy Land and lays the framework for property and fiscal rights in the state of Israel.

Both sides also believe diplomatic relations will help in a small way towards the Middle East peace process. Until now the Vatican has been reluctant to formalise relations for fear of prejudicing its relations with Arab countries, as well as because of the complex question of property rights in the Holy Land and the issue of the status of Jerusalem.

Yesterday, Mr Yossi Beilin, Israel's deputy foreign minister, said in Rome he expected ambassadors could be exchanged within four months.

Russia to do more for poor

The Russian government yesterday proposed higher social spending next year following the strong showing of the far-right in elections this month, Reuter reports from Moscow.

Mr Gennady Melikyan, the labour minister, said social spending would rise from 9 to 13 per cent of gross national product.

Russian reformers have become sensitive to improving the lot of ordinary people following the success of the ultra-nationalist party of Mr Vladimir Zhirinovsky.

Mr Vladimir Shumeiko, a first deputy prime minister, said the government would increase income tax on high earners to pay for help for the poor. "Because the gap between the poor and the rich is rapidly growing, the government has prepared new tax regulations," he said.

The prime minister Mr Viktor Chernomyrdin and other reformers have interpreted Mr Zhirinovsky's success as a protest vote against economic hardship caused by radical market reforms rather than as a genuine swell in extreme nationalist feeling.

Mr Chernomyrdin has indicated his government would now focus less on tight monetary policy and more on investments to create jobs.

The government will have to look for ways of funding more social spending without compromising its plans for a tough budget next year aimed at curbing the deficit.

Security stepped up in Crimea

By Jill Barshay in Moscow

The Ukrainian authorities have been increasing the level of security in the Crimean peninsula after a month of violence and crime in the area which is home to the disputed Russian-Ukrainian Black Sea fleet.

The move comes less than three weeks before the republic's presidential elections.

Four Crimean politicians have been murdered since mid-November, including a Ukrainian member of parliament, the head of the Black Sea fleet's press centre and a Crimean presidential candidate.

On Tuesday it was reported that armed Ukrainian marines seized two fleet offices. No shots were fired. Cross-accusations of misconduct, such as the office seizures, are frequent.

Ukrainian navy officials have accused Russian officers of trying to prevent servicemen from taking an oath of loyalty to Ukraine.

While these incidents have been small and isolated, they are indicative of increasing tension in the region, once the tranquil holiday playground of the Kremlin élite.

Fuelling the instability is the unresolved dispute over ownership of the Black Sea fleet, a serious obstacle in Russian-Ukrainian relations since the collapse of the Soviet Union.

Russia is likely continue to press for full ownership of the fleet in exchange for offsetting Ukraine's $2.5bn energy debt.

President Leonid Kravchuk agreed to consider this formula at last September's Russian-Ukrainian summit.

However, the rise of Russia's nationalists has made Ukraine more wary of relinquishing its share of the navy despite its severe energy crisis.

The danger in Crimea is that Ukrainians might respond to imperialist rhetoric by becoming more anti-Russian, and that ethnic Russians who make up roughly 70 per cent of the Crimean population, will step up their pro-Russian campaign to break away from Ukraine. The ultra-nationalist Mr Vladimir Zhirinovsky brought out a huge vote among Russian citizens in the coastal city of Sevastopol, the Black Sea fleet's base.

The Crimea was removed from Russian jurisdiction and gifted to Ukraine by the Soviet leader Mr Nikita Krushchev in 1954 as a symbolic gesture to mark 300 years of friendship between the two nations.

● The Russian Space Agency announced yesterday that it had reached a preliminary agreement to lease the ex-Soviet Baikonur Cosmodrome located in Kazakhstan. Russia hopes to make commercial satellite launches from this installation, while Kazakhstan is looking to offset its $1.3bn debt to Russia.

Mr Yuri Koptev, head of the agency, added that a final agreement could also include Russian access to Kazakh military sites such as the Semipalatinsk nuclear testing ground.

It was unclear how this potential arrangement would affect Kazakhstan's newly acquired non-nuclear status.

Aid helped to win chip plant for Dresden

Investment begins at home for Siemens

By Judy Dempsey in Berlin

Siemens' decision to invest more than DM2.4bn ($1.42bn) in a new microchip production and research plant in Dresden may kill two birds with one stone.

As Germany's largest electronics manufacturer, Siemens wants to base part of its production and research at home with the aim of capturing more of the European market.

But choosing the eastern state of Saxony might also confirm the "leap-frog" theory in which sectors of the eastern German economy are expected to become competitive through the introduction of the highest levels of technology and expertise, rather than updating existing plant.

Siemens has traditionally gone abroad to manufacture the 64-megabyte memory chips and the 256-megabyte chips used for telecommunications, mobile telephones and vehicles. Its electronics divisions accounted for 65 per cent of this year's DM81.7bn turnover. In the US, Siemens co-operates with IBM in the manufacture of the 256 chip, and it produces semiconductors in south-east Asia. But Mr Werner Gries, a senior official at Germany's federal ministry for research and technology, believes Siemens wants to use its home base to produce these two chips.

"Siemens ranks third in the sale of semiconductors in Europe," he said. "It wants to go on the offensive. To enable it to do this, it will use the production and research facilities in Dresden to capture the market in Europe, and in other parts of the world."

In Mr Gries' view, what was crucial about the Siemens approach in Saxony was its decision to place research and production under one roof in Dresden. "It wants to be able to develop the next generation of chips but in a way in which research and production can work much more closely.

Mr Heinrich von Pierer, chief executive of Siemens, said production from the 200,000 square metre greenfield site in Dresden, expected to start in 1995, will be largely export driven. "What we are seeking is higher productivity, greater innovation, and markets," he said.

For the moment, the company would go it alone, but the door would be open for IBM or Toshiba, the Japanese electronics company which already co-operates with Siemens outside Germany.

Research and production to be united under one roof

Investment grants were an incentive in the choice of Dresden. The state of Saxony, led by Mr Kurt Biedenkopf, and the federal government, will provide grants amounting to about 35 per cent of the DM2.4bn investment. In addition, the European Union's regional development fund and the federal ministry for research and technology is expected to provide DM300m.

Siemens officials denied that the grants would help offset high real wage levels in eastern Germany. Wages are 20 per cent below western German levels although productivity lags behind western counterparts by 60 to 70 per cent. "You have to pay high wages for a highly skilled workforce in the computer industry," said a Siemens official.

Mr von Pierer said Saxony's traditionally strong industrial base and its skilled workforce also contributed to the decision. Those skills will be upgraded when Siemens, under contract with IBM, brings over 50 of its specialists from the US. He also cited the lack of bureaucracy and red tape which Mr Biedenkopf is renowned for cutting through.

Thus, proximity, as well as access to low labour costs in eastern Europe hardly figured in the choice of location. "Anyone coming into eastern Germany in order to use it as a stepping stone to eastern Europe must look to the long term. These markets have yet to develop," said a Siemens official.

For Saxony, the presence of Siemens could well reinforce the "leap-frog theory," in which investment channelled into greenfield sites can be used to introduce the highest levels of technology without using resources to modernise existing plants.

Mr. Joachim Fels, senior economist at Goldman Sachs, the investment bank, agrees. "The leap-frog theory is happening slowly in some sectors in eastern Germany where an investor goes for high quality jobs, high value jobs, and a highly capital-intensive enterprise," he said.

"But actually, there's really no other choice because eastern Germany cannot offer a low-wage economy. That's where incentives and grants play such a big role. And probably these swung Siemens' decision to move to Dresden."

Chrétien's deft footwork keeps Liberals' stock high

Bernard Simon on the Canadian PM's down-to-earth style

Mr Jean Chrétien has enjoyed a remarkable honeymoon in the seven weeks since becoming Canada's 20th prime minister. This is not because he has shirked any difficult decisions; on the contrary, he has tackled a long list of politically risky initiatives.

Despite earlier promises to renegotiate the North American Free Trade Agreement, his new Liberal government will implement the pact as scheduled on January 1. Mr Chrétien has also scrapped the previous Conservative government's plan to privatise the country's biggest airport, and cancelled a contentious C$5bn ($3.75bn) helicopter order.

The Liberals have also flown in the face of advice from business leaders and foreign investors by replacing Mr John Crow, the inflation-fighting governor of the Bank of Canada. And the prime minister has sent unambiguous signals since taking office of plans for a thorough overhaul of social security programmes such as unemployment insurance and welfare. The 10 provinces have been told to expect little, if any, increase in the federal transfers which help fund their health, education and welfare budgets.

The initiatives have so far been greeted with little dissent. The latest Gallup poll shows the Liberals riding high, with the support of 56 per cent of decided voters. This is their highest approval rating since 1970, and far above the 41 per cent of the vote which brought them to power in October.

Fears that Mr Crow's departure would send the Canadian dollar into free fall have turned out to be groundless. The Liberals are now being applauded for replacing him with his more personable deputy, Mr Gordon Thiessen, and for promising to hold the inflation rate below 3 per cent until at least 1998. The dollar has risen by more than one US cent in the past week to 75.50 US cents.

Mr Chrétien, who will take a break from domestic politics next week for a trip to London, Paris and the Nato summit in Brussels, is given much of the credit for the Liberals' adroit footwork.

The new prime minister often describes himself as just "a little guy from Shawinigan" (his home town in rural Quebec). He has neither the intellect of his mentor, Mr Pierre Trudeau, nor the brokering skills of his Conservative predecessor, Mr Brian Mulroney. But, as one observer puts it, Mr Chrétien's political instincts are as firm as the footing of a mountain goat.

His experience is unrivalled among Canadian politicians; he celebrated his 30th anniversary as a member of parliament this year, having held almost every key portfolio during the Liberals' last period in office in the 1970s and early 1980s.

The previous Conservative government, hobbled by the public's mistrust of former prime minister Brian Mulroney, was wary of potentially unpopular initiatives in its last few years in office. But Mr Chrétien's down-to-earth style contrasts sharply with Mr Mulroney's inflated rhetoric and imperious demeanour.

The tough times of the past few years – unemployment still tops 11 per cent and public-sector deficits are at record levels – have helped make Canadians more receptive to the message of change.

Another factor in the new government's favour is its warm relations with the civil service.

The Conservatives alienated senior bureaucrats by attaching large political staffs to each cabinet minister's office. These appointees shielded ministers from ideas generated in the civil service, while exposing them to the influence of special interest groups.

Mr Chrétien has sent strong signals to his mandarins that their advice will be valued. Members of his cabinet have been told to keep their political staffs to a minimum. More than one political observer has remarked that the longest faces in Ottawa this winter belong to the lobbyists whose businesses flourished in the Mulroney years.

The Liberals next big test starts on January 17, when the House of Commons reconvenes for the first time since the election. A new opposition, dominated by the separatist Bloc Québecois and the right-of-centre Reform party, will then begin peppering the government with questions and criticisms.

Two issues are bound to keep the new government's hands full; Quebec separatism and economic revival.

Mr Chrétien would prefer to avoid a repetition of the interminable constitutional wrangles which dogged Canadian politics in the late 1980s over Quebec separatism. But a provincial election must be held in Quebec by next autumn. The Bloc Québecois and its provincial counterpart, the Parti Québecois, will seize every opportunity to promote the separatists' cause.

On the economic front, the Liberals face the delicate task of fulfilling their campaign promise to create jobs and revive the economy, without increasing the budget deficit.

They are pressing ahead with a modest C$6bn public works programme, to be funded by federal, provincial and municipal governments. But Mr Paul Martin, finance minister, has damped expectations by revising the projected federal deficit for the year to March 1994 to C$44bn-C$46bn, far above the C$32.6bn forecast by the Conservatives just eight months ago.

Mr Martin has put out word that the Liberals' first budget, to be presented in February or March, will be largely a holding operation.

The main event is now scheduled for early 1995, by when Mr Chrétien and his colleagues hope to have fleshed out their plans for new social security programmes, tax reform and defence cuts.

NEWS IN BRIEF

Renault to axe 2,100 jobs

Renault is to cut 2,109 jobs in 1994, according to a plan presented to unions yesterday, writes John Ridding in Paris.

The job cuts, which represent just under 5 per cent of the workforce at the French state-owned car group, reflect attempts to adapt to the depressed state of the European car market and to improve productivity.

The company said the cuts would be achieved through voluntary redundancies. Most would come from early retirement for more than 1,100 employees, the non-replacement of departing workers, and an increase in part-time employment.

The plan is in line with demands from the centre-right government of Mr Edouard Balladur that publicly-owned groups should avoid compulsory redundancies in their restructuring efforts.

Row over rule by decree in Romania

Romania's opposition yesterday accused the government of violating the constitution by passing a law allowing it to rule by decree during next month's parliamentary winter recess, Reuter reports from Bucharest.

Some observers said the move was an attempt to push through unpopular new taxes agreed as part of a loan deal with the International Monetary Fund.

Earlier, the hung parliament voted 159-1 in favour of the minority left-wing government headed by Mr Nicoale Vacaroiu. Opposition deputies refused to vote.

Belgian woman killed in Algeria

A Belgian woman and her Algerian husband have been killed in their home in the Bouira region in Algeria, 90km south-east of Algiers, Reuter reports from Algiers.

The killings bring to 17 the number of foreigners killed in Algeria since December 1, the deadline set by an Islamic militant group calling on foreigners to leave the country or risk "a sudden death".

Oil company faces shake-up

Nigeria's military government yesterday appointed a panel to reorganise the scandal-plagued Nigerian National Petroleum Corporation, Reuter reports from Lagos.

The 10-member panel would also examine the accounts of state-owned NNPC, which oversees Nigeria's oil industry and has been rocked by fraud allegations.

The corporation supervises the export of more than 1.5m barrels of oil a day, earning about $10bn a year and accounting for more than 90 per cent of Nigeria's foreign exchange income.

Nigerian newspapers have recently given prominence to a World Bank report which said $2.1bn of oil revenue in 1990, when the Gulf crisis boosted oil prices, was unaccounted for by the military government then in power.

Rising Seine threatens Rouen

The river Seine is in danger of rising above danger level in Rouen, north-west of Paris, city authorities said yesterday. In Paris, the Seine continued to rise after cutting off parts of the riverfront expressway at the weekend.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

هكذا من الأصل

India's gold and foreign reserves peak

India's gold and foreign exchange reserves have hit a record $13bn, reflecting the improved economic outlook for the world's 12th largest economy, Reuter reports from Bombay.

The Reserve Bank of India yesterday said the country's gold and foreign currency reserves had reached a record $13.01bn on December 17, up from $8.9bn a year ago. Bankers said the Reserve Bank was taking in up to $100m a day as part of its decision to hold the rupee at around 31.37 to the dollar. Strong dollar inflows are keeping the rupee buoyant.

On the day the government faced demands in parliament for the resignation of Finance Minister Manmohan Singh for failing to prevent last year's securities scandal, bankers and economists said the improved economy reflected the liberalisation policies of Prime Minister P.V Narasimha Rao.

"The overall economy is moving out of recession. The *underlying trend is buoyant*," said Mr Narayanan Vaghul, chairman of ICICI, a leading Indian financial institution. But some core sectors, such as steel and cement, dependent on government expenditure, remained depressed because of spending cuts.

The government projects growth in real gross domestic product in the current fiscal year, ending in March, at 4.5 per cent, up from 4 per cent last year and 1.3 per cent in 1991-92. India's economic *reforms have started attracting* the attention of overseas investors, with $3bn in investment approvals since Mr Rao took power, against one-tenth that in the preceding year.

Singh: facing parliamentary calls for his resignation

The Association of Indian Automobile Manufacturers expects car output to set a record in 1993/94; businessmen hope the government will cut corporate taxes in February's national budget. Company profits have picked up sharply in the first six months of fiscal 1993-94. Foreign exchange reserves have improved since India embarked on a *market-oriented* reform programme in mid-1991.

A 'stealth' adviser refines his targets

Jurek Martin reports on Tony Lake's confidence in US policies towards Europe

An enormous painting of a bull dominates Tony Lake's office in the White House. If the president's national security adviser were in the habit of rolling his eyes in despair, as he might have been tempted to at times over the last year, he could not miss it.

Although Mr Lake owns a farm, the agricultural analogy should stop there. A better label for him came recently from the Washington Post, which called him the "stealth" adviser, unseen but not lacking in firepower. As befits the better academics, he speaks precisely, with humour and preferably off-the-record, though he has begun to give more public speeches.

Like other members of the Clinton foreign policy team, he will concede "bumps" have occurred in the relationship between the US and western Europe, not only because of well-publicised disagreements over Bosnia and trade but because of the evolution, for the first time in many years, of a coherent US policy towards Asia.

This led to the "perception" in Europe that it was being neglected in favour of Asia. Yet, in the Lake view, *little has changed, since Europe, with* Japan, remains at "the core" of US foreign policy. What has moved on are the challenges all three are facing.

Economic difficulties and new uncertainties, specifically on the state of Russia, produce both the desire for change and fear of it. "This can translate," he says, speaking for the record, "into a lack of political will to come to grips with the newness of the [post-Cold War] world."

Mr Lake gives economic security a high priority but, perhaps tacitly acknowledging fears of a resurgent US economic nationalism, does not put it on quite the same pedestal as other members of the administration

Except that he does not think this *has happened. A veteran of the Carter* state department, Mr Lake sees no comparisons today with the sour relationship between the former US president and the then-Chancellor Helmut Schmidt of West Germany.

Mr Clinton may not have been to Europe this year but his appointments diary shows he met about as *many European leaders* in Washington in his first year as President George Bush did in 1989. He considers his own contacts with his foreign policy counterparts across the Atlantic to be optimal. Three presidential trips to Europe in the first seven months of the coming year ought to assuage European doubts, but, more than that, they are designed to give even *greater substance to the relationship.*

Mr Lake gives economic security a high priority in US foreign policy but, perhaps tacitly acknowledging fears of a resurgent US economic nationalism, does not put it on quite the same pedestal *as other members of the* administration have. He rates it alongside conventional security prob*lems and the promotion of democracy.*

The cornerstone of the US approach to European security lies in the Partnership for Peace, criticised in some quarters as too gradualist a programme to bring the countries of eastern Europe into the Nato net. When he was in Washington earlier this month, Mr Andrej Olechowsky, Polish foreign minister, did not conceal his disappointment with the co-operation on offer, especially in the light of the new menace of Russian nationalism evident in its elections.

The US view is that western and eastern Europe, including Russia, face "huge" choices and that Partnership for Peace, an evolutionary process, is deliberately designed to make those choices easier and less dependent on what happens in Russia. The "habits of co-operation" explicit in the new approach may have no time-frame but, in stressing longer-term practicalities, *also close no doors. This is the* message Mr Clinton will give to the leaders of Poland, Hungary and the Czech Republic in Prague next month after the Nato summit.

The national security adviser does not believe Russian *nationalism* will get out of hand, but is convinced that the US must do nothing to contribute *to its growth by pursuing policies that* might be construed as threatening in Moscow. Equally, US economic assistance to Russia, while not neglecting longer-term reform goals, must also be geared to help meet shorter-term practical needs.

US policy generally is committed to ensuring the continued viability of Nato, while reshaping it to meet new problems. Encouragement is taken from the fact that the Nato enforcement of the "no fly zone" over Bosnia constitutes an important "out of area" precedent for the organisation. If the US commits troops to enforce any peace settlement, it will only do so as part of a Nato operation.

Mr Lake's worst moments this year have been over Somalia, as they were for Mr Les Aspin, the departing defence secretary, and he is reported to have offered to resign after 18 US servicemen were killed in Mogadishu. *He seems now far more optimistic*, even on getting North Korea to drop its nuclear ambitions, but not because he wants or even sees the emergence of some rigid new world order. To him, disorderliness opens the door for creative diplomacy, especially in harness with western Europe and Japan.

New York bombings leave 5 dead

A family vendetta sparked a bombing blitz in New York State that left five people dead and at least two others injured, police said yesterday, Reuter reports *from Rochester*. A woman and two men were to be charged later yesterday in connection with the killings on Tuesday night of members of a New York family.

Law enforcement sources said the motive for the bombings was a family dispute. The relatives apparently objected to a relationship between the *woman and one of the men.*

Police released a composite drawing showing a man in his 50s with a moustache and glasses, based on descriptions from people who had picked up the packages.

All the intended victims were members of the Fowler family who live in the Buffalo and Rochester areas of New York. The *survivors* have been placed in protective custody.

"We feel at this stage of the game it's somebody who has some type of vendetta or vengeance against the *family*," said New York State Police Superintendent Thomas Constantine.

Jackson sued for over $20m

Promoters for Michael Jackson's cancelled "Dangerous" tour sued the entertainer on Tuesday for more than $20m (£13.4m), claiming he was *addicted to morphine and* Demerol long before he sought treatment, AP reports from Los Angeles.

Jackson bowed out of the tour on its Mexico City leg in November when he admitted an addiction to prescription painkillers and sought treatment at an undisclosed location, apparently in Europe.

Jackson *said* at the time he was taking prescription painkillers after undergoing painful scalp surgery. He said his depression after a 13-year-old boy accused him of sexual abuse helped cause his drug addiction.

Mama Concerts, a German corporation, Pebbles Music, a California company, and promoter Marcel Avram of Munich, filed the lawsuit in Superior Court, California's highest state court, said attorney Donald Engel.

The lawsuit claims breach of contract, fraud, *fraudulent* concealment, negligent misrepresentation and conspiracy to defraud.

Patten attacks China on Basic Law

By Louise Lucas in Hong Kong

Mr Chris Patten, governor of Hong Kong, yesterday accused China of making up the Basic Law, its post-1997 constitution for the territory, as it went along and of indiscriminately throwing out proposals discussed by the governments of Britain and the colony and in the interests of Hong Kong people.

Responding to a statement issued by the Hong Kong and Macao Affairs Office on Monday saying China would disband all elected bodies when it *regains sovereignity in 1997*, Mr Patten said it reflected the rule of man rather than the rule of law.

"Even if that was reasonable, it's clean against the Basic Law itself, Article 160 for example. It's not a matter for the Hong Kong and Macao Affairs Office to decide what is or is not in line with the Basic Law. It's a matter for the National People's Congress standing committee. So I don't know what the Hong Kong and Macao Affairs Office think they are doing.

"Their position appears to be that whatever Hong Kong people want, whatever the Legislative Council discusses, whatever we propose in the Hong Kong government or the British government, the Hong Kong and Macao Affairs Office and senior Chinese officials will throw it out," he said.

He added that legislative *councillors would ensure fair* and open electoral arrangements prevailed at the end of the day.

Governor Chris Patten with Yuan Qing, director of the Po Lin monastery, after yesterday's dedication of the world's largest bronze Buddha statue on Hong Kong's Lantau island AP

Colony to ease rules on TV ownership

Hong Kong plans to turn the *colony into a regional broad*casting hub by scrapping some restrictions on foreign ownership of television stations, Reuter reports from Hong Kong.

But the government will press ahead with controversial legislation limiting cross-media ownership, Mr James So, secretary for recreation and culture, said yesterday.

"What we will do basically is to encourage more people to come to Hong Kong to set up television, either through cable or satellite or other forms, through the relaxation of the rule," Mr So said.

Foreign ownership is currently restricted to 49 per cent of non-franchised television stations.

The proposed relaxation, to be included in a media law now being drafted, would not cover Hong Kong's two conventional television stations, Television Broadcasts (TVB) and Asia Television (ATV), where tighter rules apply.

Apart from the two franchise broadcasters, pan-Asian satellite station Star TV and cable station Wharf Cable, are based in Hong Kong.

Mr Rupert Murdoch, who controls Star TV through his News Corp, skirted the foreign ownership rule last July by buying 63.6 per cent of Hutch-Vision, which in turn owns less than half of the licensee, HutchVision Hong Kong. Mr Murdoch fell foul of the rules earlier in the year and was forced to withdraw a bid for a stake in TVB.

Menem wins vote for second term

Argentina's Senate passed *early yesterday a bill calling* for constitutional reform allowing President Carlos Menem to run for a second term in 1995 and continue his economic reforms, Reuter reports from Buenos Aires.

The Senate approval, by 38 votes to seven, fulfilled the last requirement for Mr Menem to convene a constitutional assembly next year. The lower house had voted for a reform last week. The reform will permit the removal from the 140-year-old constitution of a clause banning presidents from *running for successive terms.*

Mr Menem struck a deal to that end last month with his predecessor, Mr Rául Alfonsin of the opposition Radical party, who handed over power in a rush in 1989 as hyperinflation threatened to tear the country apart.

Four years later, Mr Menem has brought annual consumer price increases down to a single digit from the 5,000 per cent inflation rate during 1989.

Mr Menem said this week he was planning to call an election for March 20 to choose delegates *to the constitutional* assembly.

Heeding the terms of the pact between Mr Menem and Mr Alfonsin as the lower house had already done, the Senate went along with the reform bill but stripped it of a clause shortening senatorial terms to four years from nine.

The senators say that if presidential *terms are to be cut to* four years from six, theirs should be cut to six from nine, rather than to four.

Winds of change whistle down Tokyo's corridors of power

An 'island of stability' is under attack, writes Robert Thomson

Power in Japan is concentrated in Kasumigaseki, where a few broad streets are lined with buildings that are home to Tokyo's bureaucrats.

In cramped conditions, with desks carefully arranged to reflect the occupier's place in the hierarchy, the graduates of the great universities, Tokyo and Kyoto, preside over the drafting of policy, confident they have guided Japan to its post-war prosperity.

Senior bureaucrats are fond of portraying Kasumigaseki as an island of stability and enlightenment, remote in attitude from the adjoining parliamentary district of Nagatacho where the often grubby business of politics is conducted.

Mr Hiroshi Kumagai, minister for international trade and industry, defiantly crossed the line between the two districts last week by forcing the resignation of Mr Masahisa Naito, director-general of Miti's industrial policy bureau, and one of the country's most powerful bureaucrats.

The case stirred fears among the bureaucracy that the new coalition government intends to increase the power of ministers at the expense of their ministries. Bureaucrats had been made uneasy by a deregulation drive intended to reduce their influence, but the campaign by Mr Kumagai was seen as a direct attack on the bureaucracy.

Urged by colleagues to resist the unwanted political intrusion, Mr Naito admitted he had erred by promoting a ministry official who was leaving to become a candidate for the Liberal Democratic party. The official also happened to be the son of another senior Miti bureaucrat who had pushed for *the promotion.*

Mr Naito had earlier said the resignation demand was unfair, and a dozen other Miti officials offered to resign in sympathy.

These resignations are yet to be submitted, and public sentiment has swung against a bureaucracy perceived to be more conscious of the privileges than the responsibilities of office.

The case highlighted the political affiliations of the bureaucracy. Mr Kumagai, a former Miti official, was taking aim at bureaucrats seen to be close to the LDP, which ruled for four decades until losing its majority at a July election. Links with the LDP were handy for bureaucrats, particularly for those with an eye on a second career in politics.

But the bureaucrats' desire to have Kasumigaseki recognised as Tokyo's high moral ground was undermined by *this partisanship* and by the acquiescence of ministries in recent construction, trucking and financial industry scandals.

One senior Miti official said yesterday many bureaucrats are conscious *their best protection against* politicians is to be seen to be clean and competent.

In using deregulation to wrest influence from the bureaucracy, the coalition government is aware that the *ministries'* power resides in the vagueness of Japanese laws and in the maze of administrative regulations and conflicting interpretations built around these laws.

The Japanese parliament, for example, introduced legislation to *bring financial reform in April, but* the extent and timing of reforms are still controlled by officials in the finance ministry.

Banks' entry into the securities business has been slowed, and min*istry regulations demand staff* at a securities subsidiary wear a uniform completely different to that of the parent bank.

Prime Minister Morihiro Hosokawa came to office promising he would take a hatchet to such regulations and make the conduct of government more transparent. He complained that as a prefectural governor he was unable to move a bus stop without the approval of bureaucrats in Tokyo.

"If bureaucrats continue struggling to protect or expand their vested interests, they will end up increasing the inconvenience to the *people they are meant to serve*," Mr Hosokawa said in a thin volume of his thoughts entitled The Time to Act is Now.

The bureaucracy takes comfort from instability within the coalition, a hotchpotch *of seven parties* likely to face another election next year.

More than Mr Hosokawa, officials are wary of Mr Ichiro Ozawa, who pulled together the coalition and runs the Japan Renewal party. Mr Ozawa is close to Mr Kumagai, and the two are agreed elected politicians should tackle the unelected bureaucrats.

Part of the Ozawa agenda is that politicians should serve longer as *ministers to build expertise in their* area and reduce their dependence on bureaucrats, who write speeches and answer questions in parliament on behalf of their masters.

But ministers are unlikely to *secure long terms in a shaky* political environment, while an LDP government would want business as usual and would hardly pursue an official of Mr Naito's political leanings.

The next *direct confrontation* between coalition and bureaucracy is expected to be a bout between the Social Democratic party, formerly the Japan Socialist party, and the finance ministry, which is pushing for an overhaul of the *taxation* system that the SDP dislikes.

The ministry wants an increase in the country's 3 per cent value-added tax, and the SDP would like companies and the wealthy to pay more *tax to compensate for a decrease in* revenues.

But the SDP's largest obstacle in charging the barricades at the ministry is one of its partners in government: Mr Hirohisa Fujii, the finance minister, who was an official at the ministry before entering politics.

From his speech on appointment as minister, to most of his recent public statements, Mr Fujii has relied on his old friends the bureaucrats; they are unlikely to allow a rewrite of their script.

Japan's trade negotiators face a tough new year

The office buildings in Tokyo's central business district have lowered their shutters for the new year holidays, but Japan's trade negotiators are unlikely to be in festive mood as they welcome the advent of 1994.

They face a series of sessions with *US trade officials throughout* January in the run-up to a summit between President Bill Clinton and Prime Minister Morihiro Hosokawa scheduled for February 11.

But as the summit approaches, *Japan's relationship with the US*, its most important trading partner, is showing signs of renewed strain.

Earlier this week, Mr Mickey Kantor, US trade representative, voiced unhappiness over market figures *which showed that foreign* semiconductor makers' share of the Japanese market had declined this year. The numbers raised "serious concerns regarding Japan's commitment to fully implement the Semi*conductor Arrangement*", *Mr Kan*tor said, calling for for an emergency bilateral meeting in January to discuss the issue.

The semiconductor accord calls for Japan to improve its market *share of foreign semiconductors to* an average of 20 per cent over the four quarters of 1993, at a minimum, Mr Kantor said.

Mr Kantor's remarks were echoed by Mr Warren Christopher, secre*tary of state*, who expressed concern over the fall in foreign market share and further blamed Japan for the lack of progress in the bilateral framework trade and economic negotiations.

"There are, perhaps, a number of internal reasons in Japan relating to their own political situation, but

Tokyo braced for more US pressure on market access, reports Michiyo Nakamoto

that does not in any way diminish the need from the standpoint of the *US for us to see solid progress*" in reducing the bilateral trade imbalance, Mr Christopher said.

The sharp US statements follow a letter Mr Kantor sent in mid-December to the Nihon Keizai Shimbun, *the Japanese financial daily, saying* that Japan's trade barriers and its current account surplus reduced opportunities for jobs and manufacturing not only in the US but in Japan and the rest of the world as well.

Such pressure on Japan suggests growing impatience in the US over the lack of progress in bilateral trade negotiations agreed between the two governments this summer.

When President Clinton and Mr Hosokawa meet in February, the two sides are scheduled to report what has been achieved so far in the agreed areas of negotiation, particularly in efforts to increase market access and sales of foreign goods and services in Japan.

However, as both US and Japanese officials admit, there is still a considerable gap between the kinds of measures the US wants Japan to adopt to increase foreign market access, and those which Tokyo is willing to accept.

In particular, Japanese trade officials have steadfastly refused to accept any quantitative targets which could be construed as a commitment by the government to ensure a certain level of sales or market share by foreign companies.

As the two sides remain deadlocked, US officials may be hoping that by increasing the heat on Japan, they will be able to pressure Japanese officials into a last-minute compromise.

While accepting Mr Kantor's request for an emergency meeting on semiconductors, Japanese officials express dismay at the aggressive approach being adopted by the US.

"The more the US dwells on the 20 per cent market share figure, the more there is the feeling in Japan that no matter what they call it, numerical targets take on a life of their own," one official at the Minis*try of International Trade and* Industry said.

Under the agreement, Japan recognised the US expectation that the foreign share of the Japanese semiconductor market would reach 20 *per cent* by the end of 1992. The US has, however, come to consider the 20 per cent figure a commitment by the Japanese government.

While a successful outcome of the framework talks is clearly high on the US agenda, the Japanese government remains consumed by difficulties it has encountered in getting political reform approved and with stimulating the domestic economy.

Furthermore, there is no guarantee Mr Hosokawa will still be leading the government by the time he is scheduled to meet Mr Clinton.

Scott inquiry to probe alleged German link

By Rachel Johnson and James Blitz in London, and Judy Dempsey in Berlin

The Scott arms-for-Iraq inquiry is to investigate allegations that officials from Royal Ordnance, the armaments company, helped a German small-arms manufacturer evade embargos on defence exports in the 1980s.

The prosecution in the trial in Germany of Mr Walter Lamp, managing director of Heckler & Koch, has alleged that officials in the UK company helped divert arms to the East German security services and the Nicaraguan Contra rebels as well as to Iraq via the United Arab Emirates. Heckler & Koch was bought by Royal Ordnance in 1991.

According to the prosecution, Royal Ordnance provided false end-user certificates for Heckler & Koch guns claiming their destination was the UK, rather than countries affected by international embargoes.

It is not clear from evidence before the court whether the alleged events occurred when Royal Ordnance was government-owned or after its 1987 sale to British Aerospace.

Mr Paul Regan, a lawyer on the Scott inquiry team, said yesterday the inquiry was "looking into" some activities of Royal Ordnance, along with other UK manufacturers, but had not been aware of the trial in the town of Rottweil, Baden-Wurttemburg.

Mr Regan said the inquiry was investigating government claims that it did not know that UK companies were contravening official guidelines on defence exports to banned countries. "The crucial point is that up until 1987 Royal Ordnance was Government-owned and they could not argue that they did not know what its business was.

"If it emerges that a large consignment of something nasty went from Royal Ordnance to Iraq then we are interested inwhen it went, was there a proper export licence, how did it leave the country, was the Government aware, or could they have taken steps to prevent it," he said.

Mr David Clark, shadow defence secretary, said that, if the alleged arms dealing took place before the sale of Royal Ordnance, it would imply that British officials had been "sleazy and corrupt."

The Rottwell trial, like the Scott inquiry, is in recess until early in the new year.

Banks planning to extend clearing arrangements

By John Gapper, Banking Editor

Britain's leading banks are to invite credit and debit card payment groups such as Visa and Switch to join their body responsible for cheque and cash clearing. An internal study has raised concerns about competition from payment systems not run by banks.

The effort to bring credit and debit payments under the Association for Payment Clearing Services umbrella follows the collapse of the banks' attempt in the 1980s to create Eftpos, a single clearing and settlement system for debit cards.

Since the collapse of the Eftpos initiative in 1989, the largest co-operative effort involving credit and debit cards within Apacs has been the joint initiative to reduce fraud. Payments are now settled by rival card groups, but are cleared through banks.

After a study which has also led banks to allow mutual or sub-contracted processing of cheques and credit vouchers to save costs, Apacs has now decided to try to extend membership to outside clearing and payment groups, notably the card payment organisations.

The unpublished study says it believes that "there would be benefits to such organisations from having a stronger relationship with Apacs, and that most would wish to do so, provided the balance of rights and obligations was sensible, and there was a level playing field".

The study points out that the membership of international payments systems has mushroomed in the past decade, leading to far greater diversity. It predicts "fierce competition" throughout the 1990s between the leading payments systems and networks including Visa, Mastercard and the bank-owned Swift international payments network, as well as third party processing companies.

Britain in brief

Republicans cool on NI peace effort

Republican opinion appears to be hardening against the London-Dublin peace declaration, after a meeting of more than 300 activists in Ulster suggested that there was no support for the declaration in its current form.

The meeting, involving members of Sinn Féin, the IRA and other republicans on Tuesday, provided the first public demonstration of the attitude among IRA and Sinn Fein supporters towards the declaration, issued two weeks ago by Mr John Major, the prime minister, and Mr Albert Reynolds, his Irish counterpart.

Speakers insisted that they wanted peace discussions, but that further explanations and concessions were needed from the British government before the declaration could be endorsed. None of the speakers accepted the declaration in its current form.

Lloyd's Ohio case dismissed

A US judge has dismissed a case brought in Ohio by a group of Lloyd's members, on the grounds that the litigation must be heard in English courts.

The Lloyd's members alleged that the Ohio state securities laws were violated when they were invited to join the London market. However, the judge dismissed the case because a clause contained in agreements between members and Lloyd's stated that US courts had no jurisdiction over the matter.

Agreement on gas release

British Gas and Ofgas, the industry regulator, have agreed that 500m therms of gas will be made available in 1994 for release to British Gas' commercial competitors.

The amount is similar to that released in the first two years of the programme, which was set up to stimulate competition in the supply of gas to large industrial and commercial users. Since its inception the independent gas marketing companies have captured about 70 per cent of the firm contract market.

First oil from new N Sea field

The Strathspey field, east of Shetland, produced its first oil this week in preparation for full production early in the new year.

The field, operated by Texaco, is one of the largest and most complex North Sea developments to have its production machinery installed on the seabed. It is controlled from the nearby Ninian Central platform, where the output is processed.

Strathspey's peak daily production will be 45,000 barrels of oil and gas condensate and 114m cubic feet of gas.

Plan for new schools funding

The British government yesterday announced that it would provide funds for new selective grammar schools in a radical extension of its policy of encouraging "choice and diversity" in education.

This departure from the policy of building comprehensive schools that has been in force for around 25 years aroused instant condemnation from the Labour party.

Individual promoters, who the government expects to include parents, religious interest groups and business organisations, will be allowed to establish new schools, with 85 per cent of the capital building costs met by the government. The remainder must come from the promoters.

Scots bank chief dies

Mr Charles Love, the chief executive of Clydesdale Bank and a prominent figure in the Scottish business community, died suddenly on Tuesday, while on holiday in Meribel, France.

Mr Love, aged 48, had been chief executive of Clydesdale for little over a year. He was appointed in succession to Mr Richard Cole-Hamilton, after joining the bank earlier in 1992.

Expansion for steel markets

By Andrew Baxter

Steel stockholders, which buy steel in bulk from mills and prepare it for sale to end users, will see their market grow modestly until 1996 because of the expected upturn in the UK economy, according to a report published yesterday.

The growth will reflect greater demand for steel from industries such as automotive, construction, chemical process plant and gas supply, says Marketing Strategies for Industry, the market research company.

But it forecasts negligible market growth in 1997 as the economy slows, and predicts a decline of 2 per cent in 1998.

The report estimates that UK mills' deliveries of steel to stockholders rose 3 per cent to 2.9m tonnes this year, reversing the downward trend which reduced the size of the stockholders' market by 17 per cent between 1990 and 1992.

It says stockholders' fortunes are inextricably linked with conditions in the steel market as a whole.

This was particularly evident in 1993 as stockholders were affected by overcapacity in the industry, which has led to very low prices.

The report says strip mill products are believed to have increased their share of stockholders' sales this year, accounting for 49 per cent of the market.

Stainless steel also increased in importance proportionately, primarily at the expense of general steels.

Seven steps to success in business

By Chris Tighe

Researchers at Durham University Business School claim to have identified seven "dimensions" of behaviour which indicate which entrepreneurs have the greatest potential for business success.

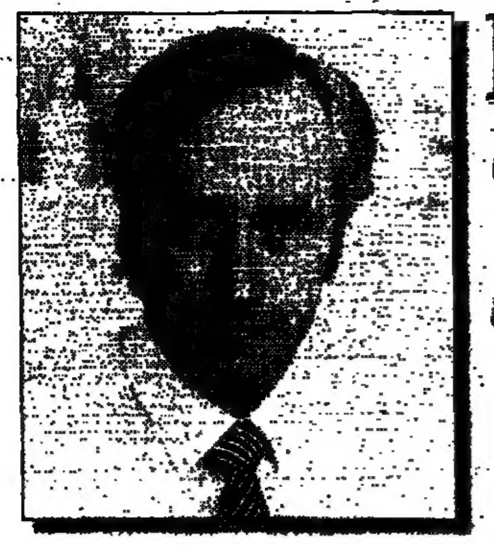
The seven factors are.

- vision - the ability to project an image into the future of where the individual would like his or her business to be:
- need for achievement – motivation to succeed and the ability to set realistic goals and achieve them:
- need for autonomy – the need to work for oneself and do things one's own way, but also to accept information and guidance from others:
- calculated risk taking – the ability to evaluate risk and plan a strategy to reduce it:
- opportunistic tendency – the ability to perceive opportunities for business development within the surrounding environment:
- internal locus of control – an acceptance of personal responsibility for the business's performance rather than explaining success or failure by external factors like luck and chance:
- creativity and innovation – the capacity to think up creative and innovative solutions to problems.

The conclusions were gleaned from an extensive review of other research and tested on a sample of 16 graduate entrepreneurs and 100 past and present Midlands small businesses.

هكذا من الأصل

MANAGEMENT



BEYOND 2000

Facing the future of choice

John Neill continues our series by advancing a model for forging closer ties with customers and suppliers

Forecasting a decade forward was tough enough ten years ago, when the world was changing more slowly than it is now.

The hazards of doing so can be demonstrated by recalling the management theories which were fashionable then but are rejected today. Mass production ideas, for example, have been replaced with lean thinking concepts. Forward-looking organisations are no longer driven by the 1980s mantras of financial engineering and earnings per share growth.

It is worth remembering, too, that while the great academic thinkers advance our knowledge with new management ideas, some of their "Eurekas" imply old messages masquerading in new language.

In trying to crystallise my own thinking, I have started with the basic assumption that the company of tomorrow will have to delight customers faced with a bewildering array of choice. At the same time, they will have to survive in their chosen markets, all of which will be subject to virulent global competition.

Work can now be done almost anywhere by almost anyone, heralding new waves of competitive intensity, unparalleled in the experience of many of today's leading companies. Three billion people have entered the global market economy since the demise of communism.

Since I contend that our system of democracy and the market economy is in harmony with the human spirit, I expect to see these new market entrants aspire to our lifestyle. In many countries, employment costs are between one tenth and one hundredth of those in Europe and they are now producing high quality products with high technology and high productivity.

How will we respond to this new tidal wave of competition? Our conventional way of working – which I would describe as Model A – equips us poorly. It is characterised by short-term, power-based relationships between the company and its stakeholders. Many companies adopt this approach, convinced that it is a superior way of securing competitive advantage.

The company's ownership structure is a powerful determinant of its behaviour. Under Model A, the City can and will abandon publicly-quoted companies at the speed of light when they fail to meet the expectations which have been set for them or even if they exceed those expectations (in the belief that their performance is unsustainable). The City itself acknowledges the short-term nature of its approach. Companies striving to meet unrealistic expectations reinforce Model A behaviour in dealing with all their other stakeholders.

It should be noted that many of the go-go companies of the 1980s have become the gone companies of the 1990s. During the years between 1986 and 1993, earnings in corporate UK grew by 30 per cent but dividends by more than 100 per cent. This does not lead to world class companies. Study after study demonstrates the vast gap in performance between UK companies and their world class competitors.

Look also at the way in which some companies and their employees act. The annual knock down fight between employers and trade unions is fatally flawed because the latter too often demand shorter working weeks and more money without the productivity gains to pay for it. The reality is that the unions often win their short-term, power-based struggle but are then the first to blame the management, the company or the government when massive job losses follow some years later.

There is strong evidence that more than 60 per cent of western manufacturing activity is non-value added. This waste cannot be eliminated in a model characterised by short-term, power-based relationships.

Confrontation also dominates many company supplier relationships. The focus is on the piece price with the purchasing department taking a tough line and deliberately re-sourcing from time to time to demonstrate their prowess.

In the motor industry the contrast with the Japanese – whose companies operate a "shared destiny" relationship with their suppliers and lead the world in quality and productivity – is telling.

There is, in my view, a superior model for long-term competitive advantage which will characterise tomorrow's companies. I will describe it as Model B. In this model, management will utilise and subscribe to the most appropriate philosophies to inspire all their stakeholders to engage in long-term relationships. This will be born out of the conviction that doing so offers a superior way of securing competitive advantage.

This Model B company will strive to build lifetime relationships with its customers and realise that to do so, it will need to harness the intellectual energies and creativity of all its other stakeholders.

Model B companies will strive to create a community of employee stakeholders who are committed to the company, the customer, quality and continuous improvement.

The company of the future will view its suppliers as stakeholders and work with them in close partnership, continuously striving to make its activities from raw material to the end user, as lean and efficient as possible.

This company will realise that the vitality of the communities in which it trades and from where it recruits future employees is crucial to its prosperity and will lead or participate in partnership with others in its community for mutual long-term benefit. This is not altruism or a return to the soggy, failed collectivist ideologies of socialism and communism. I am convinced it is the next step in the development of our capitalist system.

In Unipart we are trying hard to transform ourselves into a Model B company. We know we have an enormous amount to do but to help us, we have established our own Unipart "U" (University). Its mission is to inspire people to achieve world class levels of performance. We know we must change our ability to reskill our stakeholders if we are to stand any chance of arriving in the next century successfully.

The author is group chief executive of Unipart

The quality gospel according to Deming

Martin Dickson on a man revered for his influence on corporate competitiveness in the US and Japan

W. Edwards Deming, one of the most influential figures in modern industrial management theory, once remarked – with typical antagonistic bluntness – that he would like to be remembered in his native US as "someone who spent his life trying to keep America from committing suicide."

When he died in Washington, DC, last week at the age of 93, that wish was amply fulfilled, as some of largest companies in the US paid tribute to his role in improving their competitiveness.

Ford, the country's most efficient car manufacturer, said Deming had been instrumental in guiding it to a "sharp focus on quality, not only in its manufacturing processes, but in all of its operations."

There is no small irony in this, for Deming, who first made his name in Japan, where he was revered by industrialists for four decades, was largely unknown in the US until the start of the 1980s. That was when a television documentary on the US's diminishing industrial competitiveness described his key role in formulating those quality control techniques which have played such an important part in Japan's industrial achievements.

As the US stampeded after Japan, Mr Deming suddenly found himself in great demand, along with a handful of other experts, as a consultant in a set of business theories, pioneered by the Japanese, which have come to be known as total quality management (TQM). Ford was one of Deming's earliest converts.

TQM, which is now being embraced by European companies, has become perhaps the most influential management theory of the late 20th century. It has many variants, but at its heart lies an unremitting focus on maximising quality in every aspect of a company's work, involving all employees in the process and trying to achieve the complete satisfaction of a customer's demands.

But there is a danger of over-emphasising the cantankerous Deming's importance in all this. He has certainly been the most visible and charismatic advocate of the quality movement, but he did not start it, and a motley collection of cooks from around the globe have contributed to the TQM soup.

Man has been tracking quality, in one form or another, for generations, but the modern movement's origins are often traced to Walter Shewhart, an American Telephone & Telegraph executive. In the 1920s he devised a method of using statistics to control the quality of telephones manufactured at the company's Hawthorne Works in Chicago.

The plant's employees included Deming and Joseph Juran, who became disciples of Shewhart's statistical methods and went on to be the two most influential members of the quality movement. Juran, aged 89, is now on his last speaking tour before retirement.

Both men had a profound impact on Japan as it tried to rebuild its shattered industries after the second world war. Deming, the first to visit Japan, so impressed its businessmen with the importance of statistical quality control that in 1951 they created a Deming Prize for companies which had shown impressive quality advances. It took 36 years for the US to do likewise, with the Baldrige Award.

Juran, who first toured Japan in 1954, is widely credited with teaching the country that statistical techniques needed to be backed up with a complementary management commitment to quality in general. But in a recent interview Juran maintained: "If neither I nor Deming had gone to Japan in the early 1950s, the Japanese would still have achieved world quality leadership."

Deming, for one, may have learnt almost as much from the Japanese as he taught them: he only formulated his celebrated 14 Points – the crux of his mature quality theory – in the 1970s, after two decades observing Japan's unique management culture, which tries to involve all employees in making decisions. The 14 points involve a much more philosophical approach to quality than the practical advice handed out by most consultants. Deming suggested that a successful company needed to undergo a revolution in thinking.

The elements included "constancy of purpose" – a knowledge of what business it is in and a strategy for staying ahead; "profound knowledge" of subjects such as statistical theory and group dynamics; and a constant striving to improve.

Arguing that bad management was generally responsible for 85 per cent of a company's problems, he urged executives to "drive out fear" and encourage creativity among junior workers by giving them more responsibility and treating them as colleagues. He deplored performance ratings and inter-departmental competition as inimical to co-operation.

Juran, by contrast, places less emphasis on the importance of statistics and suggests that the Juran Trilogy – quality planning, control and improvement – can be mastered without philosophical transformations. Other prominent US experts, such as Phil Crosby, offer still different approaches.

David Garvin, a Harvard Business School professor who has written extensively on quality issues, says Deming's theory may be better for some kinds of companies – it seems to have worked well in the mass production vehicle industry – while Juran's tack may suit others, such as engineering-driven technology businesses.

But he adds that "anyone who tries to say Deming is more important than Juran, than Crosby, misses the point. Each has staked out important pieces of the terrain". Only when you put them all together, he says, do you come up with the very demanding quality criteria laid down for the Baldrige award – and they are in themselves no guarantee of success. "Anyone who tells you quality is the answer to all of your competitive problems is being very misleading," says Garvin. "There's no simple solution."

Deming would have thoroughly agreed with that hard-nosed judgment – despite his elevation late in life to the pantheon of management gurus.

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUB-SECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant to Telecom Securicor Cellular Radio Limited ("the Licensee") a licence under the Telecommunications Act 1984 ("the Act") to run telecommunication systems throughout the United Kingdom. The licence will be for a period of 25 years subject to earlier revocation in specified circumstances.

2. The principal effect of the licence will be to enable the Licensee to install and run telecommunication systems throughout the United Kingdom. The Licensee will be authorised to connect its systems to a wide range of other systems, including GSM systems outside the United Kingdom, and to provide any telecommunication service apart from cable television services, telepoint services, and certain types of international services.

3. The licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making the system run under the licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate the Licensee's system as a public telecommunication system.

4. The Secretary of State proposes to grant the licence in response to an application from the Licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.

5. He proposes to apply the Telecommunications Code ("the Code") to the Licensee subject to certain exceptions and conditions throughout the United Kingdom. The effect of these exceptions and conditions to the application of the Code is that the Licensee will have duties:

(a) to comply with the various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;

(b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;

(c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;

(d) to inspect its telecommunications apparatatus to ensure that it would not cause harm to other persons or property;

(e) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the licence to its powers under the Code; and

(f) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.

6. The reason why the Secretary of State proposes to apply the Code to the Licensee is that the Licensee will need the statutory powers in the Code to keep installed and maintain the telecommunication systems required to be kept installed and run under the licence.

7. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the system is installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.

8. Representations or objections may be made in respect of the proposed licence, the application of the Code to the Licensee and the proposed exceptions and conditions referred to above. They should be made in writing by 31 January 1994 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications and Posts Division, Room 2.85, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licence can be obtained free of charge by writing to the Department or by calling 071-215 1783.

L. BEECH (MISS)
Department of Trade and Industry

PERSONAL

COMPANY NOTICES

THE ROYAL BANK OF CANADA

U.S. $350,000,000 Floating Rate Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the Interest rate for the period 31st December, 1993 to 31st January, 1994 has been fixed at 3⅝% per annum. On 31st January, 1994 interest of U.S. $2,852430 per U.S. $1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 31st January, 1994 will be determined on 27th January, 1994.

Agent Bank and
Principal Paying Agent
ROYAL BANK OF CANADA
EUROPE LIMITED

IRISH PERMANENT BUILDING SOCIETY

Notice is hereby given that the semi-annual dividend on the Irish Permanent Building Society's 8½ % Bonds 2004 is payable on 15th January 1994. The record date for this purpose (as defined in Article 4 of the Terms and Conditions of the Bonds) is 31st December 1993. The Bonds will go ex-dividend on 4th January 1994 and payments will be posted on 14th January 1994. Payments will be effected through Bank of Ireland, Registration Department, 34 College Green, Dublin 2, who are the Registrar for the issue.

Cathal MacCarthy
Secretary

LEGAL NOTICES

Company N°. 1643152, 2215164, 2405867
Registered in England and Wales
ROMAC HAULAGE LIMITED
ROMAC INTERNATIONAL LIMITED
ROMAC
EUROPEAN TRAILERS LIMITED

Notice is hereby given pursuant to Section 48(2) Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named companies will be held at the offices of: Coopers & Lybrand, Orchard House, 10 Albion House, Maidstone, Kent, ME14 5XG on 5 January 1994 at 10.30 a.m. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if: (a) They have delivered to us at the address shown below by no later than noon on 5 January 1994, written details of the debts they claim to be due to them from the companies and the claim has been duly admitted under the provisions of Rule 3.11 Insolvency Rules 1986; and (b) There has been lodged with us any proxy which the creditor intends to be used on his or her behalf. Please note that the original proxy signed or on behalf of the creditors must be lodged at the address mentioned; photocopies are not acceptable.

Signed: E M Shires
Joint Administrative Receiver
Coopers & Lybrand
Orchard House
10 Albion Place
Maidstone, Kent ME14 5XG
Dated 21 December 1993

NORTH EAST LONDON PROPERTY COMPANY LIMITED
Registered number: 2254929
Trade classification: 75
Date of appointment: 13 December 1993
By whom appointed: Credit Suisse
Date of charge: 28 October 1988
Nature of charge: Floating Charge
V M BAMSTOW and N RUDDOCK
(office holder nos. 005316 and 8877) of
Robson Rhodes, 186 City Road, London EC1V 2NU
Joint Administrative Receivers

هكذا من الاصل

Cinema in 1993/Nigel Andrews

Feelgood movies give way to darker themes

As easy targets like right- and left-wing tyrannies collapse, British cinema has found a new villain: political correctness

Many a job has its own occupational dangers, many of them readily insurable. They can range from errant factory machinery to collapsible coalfaces, from tennis elbow to housemaid's knee to athlete's foot.

Film critics, though, are a disadvantaged group. Once or twice a year they are set upon, violently and uninsurably, by friends or colleagues who cry "Why did you send me to such-and-such a film?" or "I took my entire family to see *Bloodbath At The Abattoir* on the strength of your review" or "About that small, subtitled Armenian film, Nigel, that you recommended at the ICA . . ."

There is no insurance against people who go ape after taking your advice. All one can point out helpfully and unapologetically – I do so now in response to those FT colleagues who have recently fulminated at me about *The Piano* – is that film reviewing is not an Exact Science. A critic can be secure in his own opinion; he can shore it up with arguments and even cite the international prizes a film has won. But still people will bear down with murder in their eyes, asking why they were sent to a film with a heroine who does not speak, a back-end-of-nowhere setting (turn-of-century New Zealand bush) and a whole lot of rampant sex and violence.

We will return to *The Piano* shortly, round about Ten Best time. But this was a year, to console the aggrieved, in which many films had a built-in Feelgood Factor. Among them: *Much Ado About Nothing*, *The Wedding Banquet*, *Sleepless In Seattle* and even that feminism-made-easy British costume extravaganza, *Orlando*.

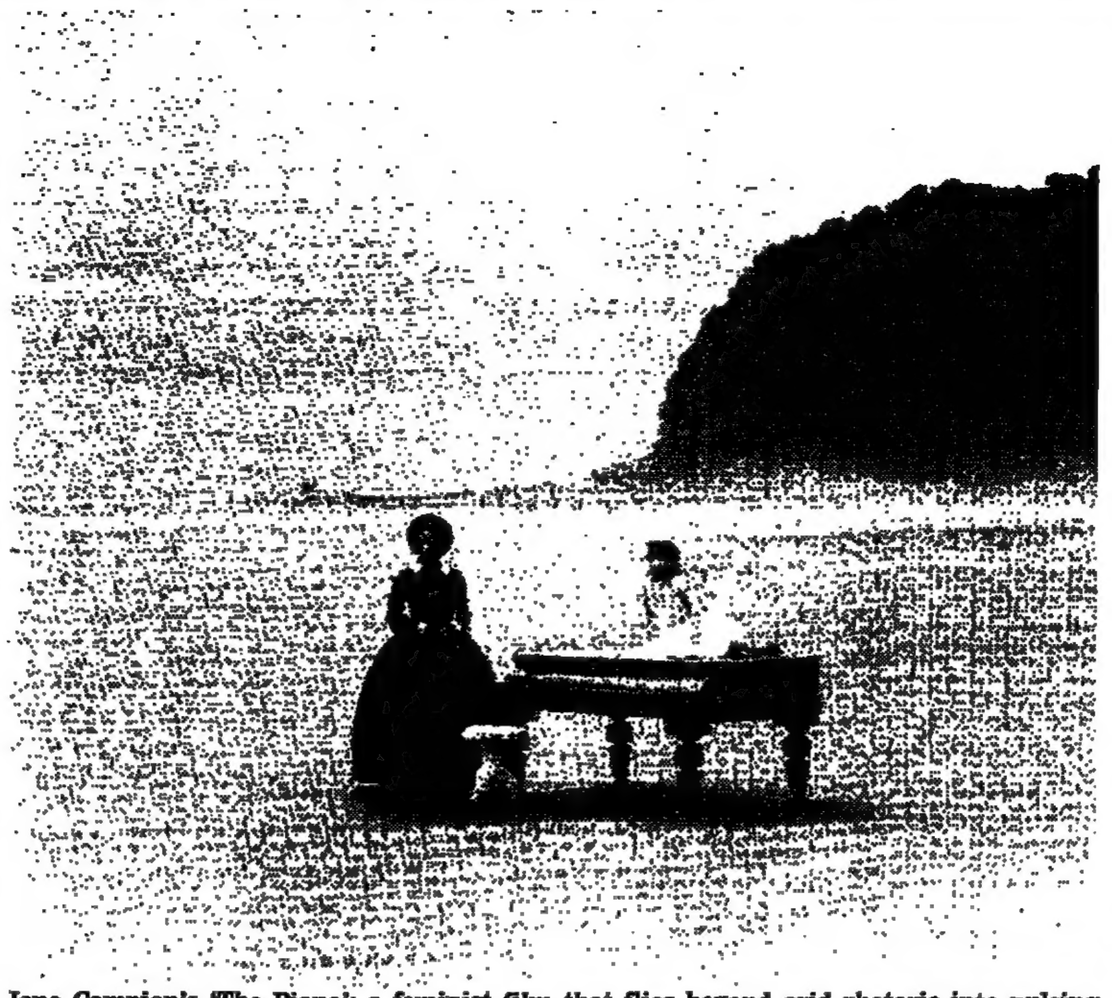
Feelgood movies are not to be sniffed at – or rather, if they are good, they *are* be sniffed at. The finest FMs are kleenex-intensive charmers which push the viewer through a forest of readily recognisable emotional problems (love, birth, bereavement) before reaching the clearing of the Happy Ending. Feelgood films, as the above list shows, need not be *empty-headed*. They can be essays in sharp-eyed sentiment, in mirth-as-therapy and in multiple resolution, as secure in their own genre tradition as Shakespearean comedy.

Comedy – broad comedy – was something we wanted more of in 1993. But it was not the year's mood. The highlights were Robin Williams running amok as the voice of *Aladdin*'s genie, Bill Murray refuting the truth that "tomorrow is another day" in the time-warp comedy *Groundhog Day*, Billy Crystal as a stand-up comic breaking them up in the Borshcht Belt in the underpraised *Mr Saturday Night*, and – well, that was about it. 1994 already looks stronger, with Woody Allen's best comedy in years coming in January, *Manhattan Murder Mystery*, and *Wayne's World 2* arriving to rescue *WW1* withdrawal-symptom sufferers

But in 1993 darker waters from deeper wellsprings kept gurgling to the surface. The year began with horror and serial killing: from a bloodier-than-usual *Dracula* to rabies-inducing modern fables like *Reservoir Dogs* and *Man Bits Dog*. And later, our overworked censor was tested by three British films high on sexual anarchy and political or moral incorrectness: Mike Leigh's *Naked* (rape, misogyny), Peter Greenaway's *The Baby Of Macon* (multiple rape, multiple misogyny, plus murder and mutilation) and Andrew Birkin's *The Cement Garden* (masturbation in glorious colour).

What ever is British cinema up to? Responding, I suspect, as much world cinema is today, to an age in which new complex despotisms are replacing the old simple ones. Easy targets like right-wing tyranny (South Africa) and left-wing tyranny (Soviet Union) are collapsing all around us, so where does freedom of thought and action look for a threat to itself?

To the new villain: liberal-humanist dogma, *aka* political correctness. All three UK movies come to the rescue of a world they see being hijacked by the gung-ho puritanism of the PC crowd, and/or by the refusal of today's trendy opinion-makers to incorporate Real Human Nature into their calculations about Proper Human Behaviour.



Jane Campion's 'The Piano': a feminist film that flies beyond arid rhetoric into pulsing romanticism, dissolving all the old enmities between 'art' and 'entertainment' cinema

The attack on political correctness is a good cause. But of course good causes do not always make good movies. Of these three British films one was an overblown dirge (Greenaway's), one an underblown mess (Leigh's) and only the third (Birkin's), strengthened by the vertebra of an Ian McEwan story, had a wit and insight to go with its gleeful iconoclastic impulse.

Ironically, just to prove that *There Are No Rules*, the year's best British feature had more than a touch of the PCs itself: Ken Loach's *Raining Stones*, a tale of salt-of-the-earth Northerners battling for survival with honour in post-Thatcher England. But oddball humanity ended up beating down prescriptive humanism.

Ironically, too, the British year ended, at once consolingly and chillingly, with the *perfect elegance of* a James Ivory film, *The Remains Of The Day*. No political controversy here, except about 60-year-old pre-war appeasement matters. And the film brought with it the assurance that when all else fails in British movies – and it often will – Anthony Hopkins and Emma Thompson will always be there to bale us out. Oscars, luvvies?

Two low-budget British films which will not feature in any Oscars ceremony, and which also climbed clear of the PC debate – were Derek Jarman's *Wittgenstein* and *Blue*. The first was the year's most playful bio-pic, the second a miracle of mind over lack-of-matter. What can you do, Jarman seemed to ask, with nothing but a few noises on a soundtrack and 76 minutes of *solid-blue screen? Answer (if you* are Jarman): everything.

A quick sweep around the rest of the world must suffice as an antidote to UK parochialism. The best continental European film was Krzystof Kieslowski's *Three Colours Blue*: a character study of bereavement as intense as a surgical probe. The best low-budget Central American movie was Robert Rodriguez's *El Mariachi* from Mexico: a monstrously inventive and funny mock-Western. Best Canadian film: Guy Maddin's Alpine-Gothic pastoral pastiche, *Careful*. Best Far-Eastern films: Zhang Yimou's *The Story Of Qiu Ju* and Ang Lee's *The Wedding Banquet*, two delicately finger-painted films from countries more used to the florid action gesture. Best southern hemisphere movie: *yes, you knew we would get back to* it – *The Piano*.

Casual nudity, not-so-casual violence and a ringingly horrible amputation scene. No wonder my work colleagues give me funny looks. These are all things that do not happen in Victorian costume films: except that they do now, after Jane Campion's. If this cinema round-up has been obsessed with *one film more than any other, it is* because *The Piano* is the movie of 1993 that points most fiercely, most convincingly towards the year 2000.

It is a "feminist" film that flies beyond arid rhetoric into pulsing romanticism. It is a costume film that dares to see what lies beneath the costumes. It is a movie that takes the "international" casting of the modern musical-chairs movie world – *Holly Hunter and Harvey* Keitel as Victorian Scots in New Zealand? – and makes it triumphantly work.

Above all, *The Piano* dissolves all the old outworn enmities between "art cinema" and "entertainment cinema". It marries a passionately compelling story to a symbolist landscape and psychological vision as detailed and richly-worked as *anything* in Bergman. You say you did not like it? Then see it again.

Ten Best Films of 1993:

- *The Piano* (Jane Campion)
- *Blue* (Derek Jarman)
- *Three Colours Blue* (Krsyzstof Kieslowski)
- *Raining Stones* (Ken Loach)
- *Reservoir Dogs* (Quentin Tarantino)
- *The Wedding Banquet* (Ang Lee)
- *Dracula* (Francis Coppola)
- *Careful* (Guy Maddin)
- *Groundhog Day* (Harold Ramis)
- *The Cement Garden* (Andrew Birkin)

Hard times can also be healthy times

Andrew Clark looks at the changing face of Europe's musical establishment during 1993

Three developments dominated the musical landscape of continental Europe over the past year, each with broad implications for the future. The appointment of Hugues Gall as head of the Paris Opéra raised hopes that this once-great institution may enjoy a rebirth. After nearly half a century of boom, Germany's orchestras and opera companies found themselves hard hit by recession. And in Salzburg, Gérard Mortier continued to upset everyone and anyone, provoking a public spat with Claudio Abbado over links between the Easter and Summer festivals, and then telling the Vienna Philharmonic that it may be dispensable.

Gall will not assume hands-on control of the Opéra Bastille until 1995, but his appointment – in the wake of the French centre-right parties' return to power last March – has already injected a long-overdue note of realism. The Bastille was a Socialist utopia, designed to give the highest number of performances to the largest number of people in the best possible quality. It has been a lame duck since its inauguration in 1989, plagued by technical faults, rocketing budgets, poor artistic planning, bad management and strikes – the latest of which, in November, forced the cancellation of the opening night of Bob Wilson's *Madama Butterfly*.

Gall proposes strong medicine. The number of performances at the Bastille will be reduced, but will include the grand classical ballets which can sell out its 2700-seat auditorium. A select slab of the opera repertory will return to the Palais Garnier (probably at higher prices than the Bastille), alongside a reduced ballet schedule. Both houses will at some point be shut, the Bastille for acoustical improvements, the Garnier for refurbishment.

The biggest challenge will be political. *To bring down costs*, staff must be reduced, monopolies broken, contracts renegotiated. Gall will be treading a tightrope with the unions and the Opéra orchestra, who have sabotaged all previous attempts at reform. He will try to "cohabit" with the current music director, Myung-Whun Chung, who stands to lose most of his power. With Pierre Bergé's motley management team now clearing their desks, the Bastille can be expected to drift for the next 18 months. Gall, who was Rolf Liebermann's deputy at the Opéra in the 1970s, knows the problems inside out. His record over the past 12 years in Geneva suggests he has the political and artistic *savoir-faire* for the job. But he will be climbing an operatic Everest.

Musical Germany fell into a state of shock as recession took its toll. From Bielefeld to Bamberg, budgets were chopped by up to 20 per cent. Even the Bayreuth Festival has been forced to trim expenditure. While the long-term effect on morale and artistic vitality is far from clear, some conclusions can be drawn. Germany has not made the mistake of subjecting its myriad orchestras and theatres to a beauty contest; none will disappear. With few exceptions (notably the Berlin Philharmonic), cuts have been applied equally and received stoically.

But there has been a change in perception. High cultural spending has long been taken for granted in Germany. There was unnecessary fat and a lot of waste. One of the most perceptive remarks came from Christoph von Dohnanyi, a former intendant in Frankfurt and Hamburg and now chief conductor of the Cleveland Orchestra: "Hard times can also be healthy times. Theatres must make themselves necessary to the society which pays for them. Art without some financial pressure is not good – as long as the pressure is not so great that it actually hinders art."

Jean-Philippe Daulte

Best performance: Danielle Borst as Mireille in Lausanne

Three years after his arrival in Salzburg, Gérard Mortier continues to ruffle feathers. His joust with Abbado over co-production plans for the 1995 Easter and Summer festivals may have ended inconclusively, but it showed that Abbado was not to be out-manoeuvred. By forcing the Italian conductor to fight on behalf of the Easter Festival, Mortier has unwittingly helped to make it more independent of the summer event. Competition will be healthy. Abbado has yet to indicate how far he plans to remould and liven up the Easter Festival, but his record in Berlin suggests that no-one is better able to change perceptions.

Mortier's conflict with the Vienna Philharmonic, which boiled over again in early December, is more far-reaching. The orchestra has been resident at the Summer Festival for 70 years; it even has a street in Salzburg named after it. The musicians' threat to boycott the festival after 1995 has to be taken seriously. Mortier considers the Philharmonic conservative and expensive, and is not afraid to say so in public. He awarded last summer's opening concert to a youth orchestra; the highlight of the 1994 concert programme promises to be a Beethoven cycle featuring the Chamber Orchestra of Europe. Mortier reckons the Salzburg Festival can survive without the Vienna Philharmonic – but can Mortier survive his own non-stop offensive on the festival's sacred cows? His programme has been a breath of fresh air. Salzburg needed that – but it may not tolerate Mortier's big mouth indefinitely.

Outside the festival season, Berlin clearly eclipsed Vienna as Europe's musical capital, notwithstanding another excellent Wien Modern contemporary music festival in November. Abbado has rejuvenated the Berlin Philharmonic; Daniel Barenboim has transformed the Staatsoper unter den Linden. The fusion of artistic *life between east and west Berlin has been* slow but not as painful as anticipated. After watching the Schiller Theater go down as a sacrificial lamb, most companies survived. Fears that the Deutsche Oper might not last the decade now look unfounded.

In Munich, the Jonas touch has yet to be properly felt at the Bavarian State Opera, despite a clever public relations campaign since the former ENO general director arrived in September. His real test will be the July opera festival: can he make it a truly festive event, or will it remain an expensive run-through of repertory? Whatever tricks he pulls out of the bag, Jonas surely realises he needs a more dynamic music director than Peter Schneider.

Looking back over my own tally of performances, I find the following reputations either enhanced or consolidated: Samuel Ramey, whose first Boris Godunov (in Geneva) was imposing without excess histrionics; Nikolaus Lehnhoff, whose poetic production of Henze's *Der Prinz von Homburg* – revived at Zurich in the autumn – has almost single-handedly rehabilitated this beautiful work; Sylvain Cambreling, whose conducting of *Simon Boccanegra* was a much-needed fillip for Frankfurt's musical life; the Oslo Philharmonic, which made a triumphant tour of Europe's four major summer festivals with Mariss Jansons; the Bolshoi Opera, whose concert performances at the Lucerne Festival showed a tradition intact; Waltraud Meier, whose courageous Isolde at Bayreuth and radiant Sieglinde in Berlin vindicated her move into dramatic soprano territory; and Olaf Henzold, the most promising young German conductor.

Declining reputations included Placido Domingo, whose Bayreuth Parsifal suggested an artist on automatic pilot; Bob Wilson and Ruth Berghaus, who do little more than repeat their own theatrical clichés from one production to the next; and Yuri Temirkanov, who is starting to become a liability for the St Petersburg Philharmonic.

My performance of the year was Gounod's *Mireille* in Lausanne at the end of November, a blissfully natural production of an underrated opera. No stars, no ugliness, no vulgarity, no need to be strikingly original or modern – just pure lyric charm, provençal atmosphere and a powerful performance from Danielle Borst in the title role.

INTERNATIONAL ARTS GUIDE

■ BARCELONA

Gran Teatre del Liceu Aterballetto gives performances of a two-act ballet by Amedeo Amodio tonight, Sun and Mon. The next opera production is Mathis der Maler, opening Jan 20 (tel 412 3532 fax 412 1198)

■ BOLOGNA

Teatro Communale The next production is L'Italiana in Algeri, opening Jan 9 with a cast headed by Bernadette Manca di Nissa, Rockwell Blake and Michele Pertusi (No telephone bookings accepted. For information, call 051-529999)

■ BONN

Oper A new production of Prokofiev's ballet Cinderella, choreographed by Valery Panov, can be seen tomorrow, Sat, Jan 5, 9, 22, 24 and 29. Repertory also includes Cav and Pag, Jenufa and Lortzing's Der Wildschütz (0228-773667)

Beethovenhalle Dennis Russell Davies conducts tonight's performance of Beethoven's Ninth Symphony (0228-773666)

■ COLOGNE

Philharmonie Tonight: Daniel Barenboim conducts Berlin Staatskapelle and Chorus in Beethoven's Ninth Symphony. Sat: Heinrich Schiff conducts Rossini, Sarasate and Beethoven. Jan 9, 10, 11: Karlheinz Stockhausen directs Hymnen. Jan 12: Neville Marriner conducts Academy of St Martin in the Fields (0221-2801)

Oper Die Fledermaus is revived on New Year's Day with a cast including Barbara Daniels as Rosalinde and Helga Dernesch as Orlofsky. Repertory also includes Cosi fan tutte. Harry Kupfer's new production of Shostakovich's The Nose opens Jan 29 (0221-221 8400)

Schauspielhaus Repertory over the next two weeks: Günter Krämer's new production of Fiddler on the Roof, Shakespeare's As You Like It and Chekhov's The Bear (0221-221 8400)

■ DRESDEN

Semperoper Heinz Wallberg conducts Viennese concerts on Fri and Sat. Bernd Weikl heads the cast in Meistersinger on Sun (0351-484 2323)

■ FRANKFURT

Alte Oper My Fair Lady, the Broadway musical based on Shaw's Pygmalion, runs till Jan 9, except tonight and tomorrow. Tomorrow: New Year's Eve concert of Italian arias and duets featuring Mara Zampieri, Juan Pons and others (069-134 0400)

Oper Tomorrow, Jan 8: Die Fledermaus. Jan 1, 3, 7: Sylvain Cambreling conducts concert performances of Schumann's Scenes from Faust. Jan 9: revival of Nikolaus Lehnhoff's production of Lohengrin (069-236061)

■ HAMBURG

Staatsoper Tonight and tomorrow morning: Peter Gülke conducts Beethoven's Ninth Symphony. Tomorrow evening: Lortzing's Der Wildschütz. Sat: La boheme. Sun: Gerd Albrecht conducts Harry Kupfer's production of Tannhäuser, with Wolfgang Schmidt in the title role. Next Wed and Sat: Madama Butterfly with Yoko Watanabe. Next Thurs: Die Zauberflöte. Next Fri: Fidelio (040-351721)

■ LONDON

THEATRE

● Macbeth: Derek Jacobi returns to the Royal Shakespeare Company in a new production directed by Adrian Noble. In repertory till Feb 26 (Barbican 071-638 8891)

● Wildest Dreams: the London premiere of Alan Ayckbourn's dark comedy. Ayckbourn himself directs this production for the RSC (Barbican 071-638 8891)

● Cabaret: Sam Mendes directs one of the great modern musicals, with Jane Horrocks as Sally Bowles and Alan Cummings as Emcee at the Kit Kat Club (Donmar Warehouse 071-867 1150)

● The Wind in the Willows: Alan Bennett's adaptation of Kenneth Grahame's magical animal tale is back at the Olivier, in Nicholas Hytner's award-winning production (National 071-928 2252)

● Angels in America: the two parts of Tony Kushner's epic drama can be seen on separate days in the Cottelsoe over the holiday period, in repertory with a touring production of Brecht's Mother Courage (National 071-928 2252)

● Moonlight: Ian Holm and Anna Massey in Harold Pinter's new play about a sour civil servant who rages against his approaching death, unmourned by his family (Comedy 071-867 1045)

● Medea: Diana Rigg's performance in the Euripides tragedy won her the 1993 Evening Standard Actress of the Year Award when this production appeared at the Almeida (Wyndham's 071-867 1116)

DANCE/MUSIC

Covent Garden The Royal Ballet has choreographies by Ashton and Balanchine tonight and Jan 4. Peter Wright's production of The Nutcracker can be seen tomorrow, Jan 1, 3 and 5. Kenneth MacMillan's production of Romeo and Juliet is revived on Jan 6. The next Royal Opera production is Carmen, opening on Jan 21 with Denyce Graves and Neil Shicoff (071-240 1066)

Coliseum ENO has a new David Pountney production of Smetana's The Two Widows, conducted by Adam Fischer and designed by Mark Thompson, with a cast led by Marie McLaughlin and Anne-Marie Owens (next performances tonight, Jan 6, 8, 12, 15, 18 and 20). Repertory also includes Lohengrin and Die Fledermaus. Handel's Xerxes is revived on Jan 14 (071-836 3161)

South Bank Centre English National Ballet presents Ben Stevenson's production of The Nutcracker daily except Sundays till Jan 22 (071-928 8800)

Barbican John Georgiadis conducts the LSO's annual Viennese concerts on Dec 31, Jan 1 and 2. Travelling Opera presents its popular English-language version of Die Zauberflöte on Jan 5, 6 and 7. Mstislav Rostropovich gives a cello recital on Jan 8 (071-638 8891)

■ MILAN

Teatro alla Scala Tomorrow: Nureyev's production of The Nutcracker. Jan 3: Luciana Serra song recital. The next opera production is Prokofiev's Fiery Angel, opening Jan 14 (02-7200 3744)

■ MUNICH

Staatsoper Tonight: Hansel and Gretel. Tomorrow: Michael Tilson Thomas conducts New Year's Eve concert. On Saturday Peter Schneider conducts popular works by Johann Strauss and others. On Sunday and Monday John Neumeier's production of Nutcracker. On Tuesday Richard Armstrong conducts Tim Albery's production of Peter Grimes, with René Kollo, Donald McIntyre and Pamela Coburn (089-221316)

■ NAPLES

Teatro San Carlo Next production is La traviata, opening Jan 15 in production conducted by Maurizio Arena, staged by Sandro Sequi, cast headed by Giusy Devinu and Vincenzo La Scola (081-797 2331)

■ PALERMO

Teatro Massimo The opera season begins on Jan 4 with Roberto Devereux, conducted by Gianandrea Gavazzeni and staged by Alberto Fassini, with a cast led by Denia Gavazzeni Mazzola and Pietro Ballo. Repeated Jan 7, 9, 13, 16, 19, 22 and 25 (091-6053 315)

■ PRAGUE

Smetana Hall Martin Turnovsky conducts Prague Symphony Orchestra in a New Year's Day concert featuring Tchaikovsky's First Piano Concerto (Igor Ardasev) and Janacek's Sinfonietta (02-232 2501)

Prague State Opera Tonight, tomorrow, Sun, Jan 7, 9: Die Fledermaus. Sat: New Year's Day concert. Next Tues: Jenufa. Next Wed: Nutcracker. Next Thurs: Fidelio (02-265353)

National Theatre Repertory over the holiday period includes The Bartered Bride, The Makropoulos Case and a new production of Dvorak's The Jacobin (02-205364)

Estates Theatre Tonight: Die Zauberflöte (02-228658)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
Super Channel: European Business Today 2230; repeated 0630, 0715
MONDAY
Super Channel: FT Reports 1230.
TUESDAY
Super Channel: West of Moscow 1230
Euronews: FT Reports 0745, 1315, 1545, 1845, 2345
WEDNESDAY
Super Channel: FT Reports 1230
THURSDAY
Super Channel: West of Moscow 1230; FT Reports 2130
Euronews 0745, 1315, 1545, 1845
FRIDAY
Super Channel: FT Reports 1230
Sky News: FT Reports 2030
SATURDAY
Sky News: 0330; 1330
SUNDAY
Super Channel: FT Reports 2230
Sky News: FT Reports 1730; 0430

Owls and moles

FT writers on the best business books of the year

One burning question for the first few months of 1994 will be how long the current bull market in the New York and London equity markets can continue. Stock market futurologists are two-a-penny, but small investors could well take strategic advice from Peter Lynch, who transformed Fidelity's Magellan mutual fund from a $18m weakling in 1977 into a $14bn giant when he stepped down in 1990.

His second book on investment, *Beating the Street* (Simon & Schuster) is full of encouraging anecdotes about how the private investor can outperform the professionals. It is liberally sprinkled with pungent one-liners such as: "Never invest in any idea you can't illustrate with a crayon," or "All else being equal, invest in the company with the fewest colour photographs in the annual report."

Readers will start to believe they are capable of finding one of Lynch's "tenbaggers" – stocks that rise tenfold and make up for the duds in the portfolio.

The recent successful conclusion of a world trade agreement removed one potential threat to market rallies. But optimism that another lease of life for Gatt ensures a new era of prosperity will be tempered by reading *Preparing For The Twenty-First Century* (Harper Collins) by Paul Kennedy, a professor of history at Yale. This fair-minded overview of economic trends, threats to the environment, and growing demographic imbalances suggests humanity faces challenges with which it is ill-equipped to cope. Kennedy concedes that market forces and developments in areas such as biotechnology might provide answers.

For a more immediate look at the challenges facing corporate strategists, try *Mass Customization* by B Joseph Pine (Harvard Business School Press). The book poses an increasingly common business conundrum: how to cater to ever more individualistic customer demands while retaining the cost efficiencies of traditional mass-production. Pine argues that companies can – and will be obliged to – do both, but only if they radically restructure their operations to make flexibility and the provision of tailor-made solutions a way of life.

If Pine is visionary, John Kay's *Foundations of Corporate Success* (Oxford University Press) is refreshingly iconoclastic. Taking the axe to fashionable theories about corporate strategy, Kay likens many of the nostrums peddled by business gurus to quack medicine.

He argues that trying to divine why some companies succeed is pointless, because the reasons in each case are peculiar to the companies concerned. Instead of looking for corporate role models to emulate, managers should identify what "distinctive capabilities" their company possesses and use them to differentiate it from competitors. Whether or not you accept Kay's theory, the book is thought-provoking and thoroughly documented.

However, he does not entirely avoid some of the pitfalls he criticises in others – such as compiling lists of star companies. It is by no means obvious that Glaxo, Guinness and LVMH, for instance, will shine as brightly this decade as they did in the last.

Another 1980s success story currently in difficulty is Nintendo, the Japanese video game manufacturer. David Sheff's book, *How Nintendo Zapped an American Industry, Captured Your Dollars, and Enslaved Your Children* (Random House), provides a well-researched and colourful insight into the rise of the company through the late 1980s.

Nevertheless, Sheff, a California-based author, argues that Nintendo made a serious mistake when it delayed releasing a more powerful and advanced video games machine – a lapse which allowed Sega, its arch rival, to secure a foothold in the market.

One role of business books such as Sheff's is to look beneath the gleam of the brightest shiners. Take Procter & Gamble, for example, which carefully cultivates the image of enlightened employer and housewife's friend. In reality, according to Alecia Swasy, a Wall Street Journal reporter who used to cover P&G, it is a paranoid, sinister institution, obsessed by secrecy and control, which spies on its employees and bullies those who stand in its way.

P&G's notorious secrecy makes it an excellent subject for investigation and Swasy's book, *Soap Opera. The Inside Story of Procter & Gamble* (Times Books), the product of interviews with more than 300 current and former P&G employees, provides important insights into the company's ugly side. She argues that the abrasive management style of chairman Ed Artzt, widely known as the Prince of Darkness, is undermining company morale and prompting a troubling brain drain among senior executives.

How unfortunate, then, that this determined digging is marred by such a one-sided tone, by generalities and argumentative *non sequiturs*, that the book undermines much of its own credibility.

For writers, as well as companies, manipulating the public's view of the past, present and future may be the key to success: "The only way to build the future is to build it on lies," was the maxim of Armand Hammer, the founder of Occidental Petroleum, who died in 1990 at the age of 92. According to Carl Blumay's chronicle, *The Dark Side of Power: the real Armand Hammer* (Simon Schuster), Hammer rarely departed from that principle.

Blumay should know. He ran Occidental's public relations operations for 25 years, building the public image that Hammer was a business genius and a philanthropist with influence in the Kremlin and the White House. The reality, Blumay says, was a backstage drama of bribes, manipulation, financial losses, a gun-toting delinquent son and a collection of high-cheekboned mistresses on both sides of the Iron Curtain.

Blumay's highly entertaining book says little of his own reasons for helping Hammer mislead the outside world, and his sources are few and hard to corroborate. The question is whether his account can be believed – there is still room for a definitive book telling the whole truth about Armand Hammer. Perhaps next year.

Reviews by Bronwen Maddox, Guy de Jonquières, Martin Dickson, Philip Coggan, Paul Taylor and Andrew Bolger, compiled by Edward Balls

Chops off the old block lose appeal

Deborah Hargreaves and **Alison Maitland** on meat producers' efforts to combat vegetarianism

Sarah Young, a 17-year old vegetarian at Coombe Girls School in New Malden, Surrey, cooked her own Christmas lunch this year while the rest of her family tucked into roast turkey. "I used to love eating meat, but the more I found out about the way animals are killed and kept, the more I went off it. Now I can't stand the sight of it," she says.

Ms Young is one of six pupils in a class of 25 at Coombe Girls who have given up eating meat. Most have changed their diets because they disapprove of the killing of animals and of factory farming methods.

Surveys suggest the sixth-formers fit the bill for the typical vegetarian – a young, middle-class female living in the south of England. While about 4 per cent of adults are vegetarians – double the figure 10 years ago – the proportion of non-meat eaters among younger age groups is much higher. A report by the Henley Centre for Forecasting, a market research consultancy, for the Asda supermarket group this year found that 11 per cent of girls aged 13 to 15 were vegetarian. Similarly, a Gallup survey for Realeat, a vegetarian food manufacturer, showed that 13 per cent of 16-24-year-old females were vegetarian.

Mr Glynne Steele, youth campaigner for the Vegetarian Society, says he receives 50 to 100 letters a day from under-18 year-olds seeking more information about vegetarianism and nutritional advice.

The corollary of the drop in meat eating among the young has been a big increase in the market for vegetarian foods. Mintel International, the market research group, says sales of vegetarian foods, including fruit and vegetables as well as specialist items, exceeded £11bn in 1992, compared with £8.8bn in 1988. Sales of "meat alternatives" – for instance soya products and Quorn, made from a mushroom-like substance – reached £25.5m last year from £6.6m in 1988.

In spite of the growing popularity of vegetarianism, the Meat and Livestock Commission, responsible for promoting Britain's meat, takes a surprisingly relaxed view. It is dismissive of the number of teenage girls giving up meat, saying they are doing so as a "protest".

The commission's statistics show total meat consumption has remained steady, or even risen slightly: 65.4kg per person per year in 1990 against 64.2kg in 1970. "I bet a lot of retailers would be delighted to have a product that penetrates into 97 per cent of households," said Mr Ambrose Landon, commission press and industry relations manager.

But the overall figures for meat consumption disguise a shift away from red meat towards poultry, and a move by consumers towards eating meat as a treat in restaurants rather than as a mainstay at home. Both trends threaten the traditional markets of many meat producers. At the same time, Mr Landon accepts meat producers are having to adapt to a changing market place, where convenience is the priority.

Government food surveys highlight the growing popularity of meat products such as sausages and minced meat over traditional cuts. Consumption of carcass meat – roasting joints, chops and other cuts close to the bone – has declined in recent years, from 11oz per person each week in 1991 to about 10oz last year. But consumption of other meat and meat products rose to 23.5oz from 22.7oz.

"When people say they are cutting down on meat, they probably mean joints and traditional cuts of meat. Many do not class their sausages or spaghetti Bolognese as meat," says Mr Landon.

The Vegetarian Society addresses the commission's arguments by saying many people are rejecting factory farming methods and turning to free-range and organically-raised meat. Consumption of the latter increased from £1m to £9m between 1988 and 1992, according to Mintel. "These are at least steps in the right direction," says Mr Steele.

He believes the spread of information about how farm animals are reared and slaughtered is turning more people vegetarian: "A hundred animals are killed every second of the working day in this country. Most are being kept in abhorrent conditions and being killed in a terrible way."

'Many farmers would like to see all vegetarians hung, drawn and quartered'

Attitudes are formed early. Adam McNamara, aged 10, gave up eating meat a year ago after seeing a news report about conditions in slaughterhouses. "If a few more people became vegetarians, perhaps farmers would start being a bit kinder to animals," he says.

At Coombe Girls, sixth-former Clare Langen says she gave up eating meat after she saw her uncle, a farmer, kill a chicken. "I saw him wring its neck and I can't look at meat without thinking about it."

The play on emotions by vegetarian campaigners angers meat producers, who believe the standard of animal welfare in the UK is second to none. "Many farmers would like to see all vegetarians hung, drawn and quartered," says a National Farmers' Union official wryly.

So far, however, the counter-offensive by meat producers against the vegetarian lobby has focused on trying to win the debate over the health aspects of eating red meat. A Gallup poll this year found that 6.5 per cent of adults avoid red meat, against 1.9 per cent a decade ago, while 40 per cent say they are eating less meat. "You've got to separate the myth from the facts of vegetarianism. These young people have got to be told the facts about meat, its nutritional value and how good it is for you," says Mr Martin Burtt, a Yorkshire beef farmer. There is a sense of defensiveness: "To tell you the truth, the few vegetarians I've seen are not exactly healthy-looking specimens," he says.

Dr Michael Nelson, lecturer in nutrition at King's College, London, a vegetarian, agrees there are some health benefits to eating meat – but not many. "There are probably some advantages in terms of iron intake and vitamin B12, but I wouldn't recommend eating it every day."

He says there can be as much as seven times the amount of saturated fat – which can increase the risk of heart disease – as polyunsaturated fat in some meat, whereas vegetable oils contain up to twice as much polyunsaturated as saturated fat.

In an attempt to prevent the debate tilting further in favour of vegetarians, the Meat and Livestock commission launched its £1.5m "Meat to Live" advertising campaign two years ago. This was targeted at young women in the 20 to 35 age group who were considering reducing their meat intake or that of their partners.

The glossy adverts featured fit, good-looking men, frolicking in the surf or playing sports, and stressed the health benefits of eating meat. The Vegetarian Society labelled the adverts typical of the "sexist" approach of the commission. "It's saying: Well, women. If you want men to look like that, you've got to feed them meat," said Mr Steele.

The commission, however, claimed the campaign was a success, at least in beginning to arrest the numbers of young women cutting down on meat eating. After a year, the commission surveyed women in the target age range and found that the number who said they were eating less meat had fallen from 15 to 14 per cent. The number of women who planned to cut meat consumption in future had dropped from 7 to 5 per cent.

The commission plans a television, magazine and poster campaign in spring, costing more than £7m, to persuade meat eaters to keep up the habit. "Its objective will be to show that meat is a modern, versatile food," says Mr David Lewis, the commission's communications manager.

Stopping the growth of vegetarianism among young people – and countering fears about animal welfare – will be a much harder task. Most pupils at Coombe Girls, even the meat eaters, felt they could not pass a butcher's shop without averting their eyes.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. *Please set fax for finest resolution*

Applause for festive initiative

From Mr Stuart M Kenny.

Sir, Bah and humbug Mr Harris! Clay Harris's de-bunking of Leeds Development Corporation's Christmas card in his entertaining article ("The folly and the lively", December 23) on corporate greetings cards missed the point.

"We'll give you something to toast this Christmas" is, indeed, the promise, followed by "Great deals on land in Leeds. Prime sites at realistic prices."

In the climate of the £50bn budget deficit, the Financial Times of all newspapers should surely be applauding a development corporation that is not missing any opportunity to entice money into the public coffers.

Anyone wanting to buy land in the capital of the north, do give me a ring on 0836 729700.

Stuart Kenny,
director of development and marketing,
Leeds Development Corporation,
South Point,
South Accommodation Road,
Leeds LS10 1PP

In defence of conglomerates

From Mr Andrew Campbell.

Sir, Your comments on Williams Holdings ("The first fruits of a strategy change", and Lex column, December 22) display a lack of understanding of diversified companies. Why does Lex refer to Williams' "sprawling empire" when BTR, recently voted Britain's best managed company, has more than 1,000 businesses across a broader range of industries? Why does Lex say that because Fairey, Williams' bridges business, "generates erratic profit" it "needs a large parent"? Does this mean all companies with volatile earnings should have large parents? Why is it implied Williams is doing the right thing "with its transition from a conglomerate to a more focused group of businesses"?

These comments misunderstand how Williams has grown from nothing to a market capitalisation of nearly £2bn in less than ten years. It has been a specialist in turning round and upgrading businesses through expert parenting of manufacturing and operations. Similar to BTR, but with a more hands-on approach, Williams has exploited situations where existing managers are underperforming. Why then is Nigel Rudd, Williams' chairman, changing strategy? Is it because there are few underperforming opportunities, or because there are more opportunities in "building products and fire and safety"? Moreover, why does Rudd say the businesses he is selling "are better owned by other people"? It is the answers to these question that will help us understand whether or not Rudd is doing the right thing.

We need to know what William's parenting skills are and why Rudd believes he will have an advantage in building products rather than in engineering or electronics.

Andrew Campbell,
director,
Ashridge Strategic Management Centre,
17 Portland Place, London W1

Local should mean local

From Mr Peter Mandelson MP.

Sir, My observation of local government re-organisation in Cleveland leads me to believe you are wrong in arguing for two-tier, strategic and service authorities ("Local difficulties", December 22).

The evidence suggests that by moving to unitary authorities substantial administrative savings can be made, producing a lower tax burden for individuals and businesses. Most services will benefit from being provided by a single authority. The overlap between authorities leading to public confusion and duplication of bureaucracy can be removed. The question is, should the move to single-tier authorities be upwards to the "strategic" level, or downwards to the public.

You argue, unconvincingly, for both. Surely the most desirable level of local government corresponds to its principal role – provision of practical and personal services to the local population and to groups in particular need in the community. You can argue about economies of scale, pointing to the creation of large, mega-authorities such as the Teesside-wide authority being advocated by some to replace Cleveland County Council. But the logic of "local" services suggests that, as far as possible, they should be delivered by councils which are elected by local people and remain as near, accountable and sensitive to the needs of those people.

What, then, should be the "strategic" dimension at local government? I think it is wrong to argue, as you do, that this can be genuinely accommodated by a council the size of a county or slightly larger. Cleveland County Council, for example, adds little in any economic or other planning sense to what the district councils are doing among themselves already or what they could achieve through shared arrangements with much less rigmarole than at present.

A truly strategic dimension might then be reflected in a regional level of government but still with local services provided by unitary authorities which mirror local communities and public preferences. Where possible, that is the downwards direction in which reorganisation should go.

Peter Mandelson,
House of Commons,
London
SW1A 0AA

Union changes are welcome

From Mr Alan Jinkinson.

Sir, Contrary to the assertions contained in your report on the TUC ("Specialist unions warned over merger danger", December 23), I welcomed warmly the TUC general secretary's radical proposals for reforming some of the TUC's structures. I made no comment about the composition and powers of the proposed new executive committee.

I did question the very limited time available for consultation within constituent unions. Further, I said all unions, including Unison, would want to be assured there were adequate processes, when required to consider their members' interests. This means, for example, facilities for the TUC to bring together unions representing members in local government and the National Health Service.

I am not a dinosaur, I am a wholehearted advocate of radical change. Were that not the case, I would still be general secretary of Nalgo.

Alan Jinkinson,
general secretary,
Unison,
1 Mabledon Place,
London WC1H 9AJ

Advertising is not harmless

From Mrs Peta Bainbridge.

Sir, I have just read your most interesting article about the advertising of toys, particularly on television ("Harnessing pester power", December 23).

I think the statement by Mr Peter Waterman, vice-president of corporate affairs at Hasbro, that "advertising to children is an entirely harmless activity", is the most cynical I have read in a long time. All over Britain parents are being made to feel guilty because they cannot spend huge sums or are building up huge debts that will cripple their lives for months to come.

As a teacher and mother, I happen to think that this is extremely harmful. Britain obviously lags behind other countries in controlling this insidious exploitation.

Peta Bainbridge,
39 Priests Lane,
Brentwood, Essex CM15 8BU

Bank not left homeless if it never had a home

From Mr P J Pace O'Shea.

Sir, I do not think that your headline, "Forerunner of European central bank is left homeless" (December 29) is true. It would have been left homeless if it had a home and then left it, for whatever reason, with nowhere to go.

I suspect there is a little wry amusement at the bank's initial difficulties in that headline. But we have lost this one for good and it would be best to learn to live with it.

P J Pace O'Shea,
45 Fellows Road,
London NW3 3DX

هكذا من الاصل

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday December 30 1993

Banesto and after

Back in July Spain's fourth largest bank, Banco Español de Crédito (Banesto), raised nearly $700m from international and domestic investors. The offer, to which the highly respected US bank J P Morgan lent its imprimatur, was a notable success. Yet within less than five months Banesto has had to be rescued by the Bank of Spain. Its directors have this week been unceremoniously hoofed out and nominees of the central bank put in their place to restructure the institution. J P Morgan's name is a little less illustrious. Such an abrupt reversal of fortune and reputation is a matter of concern not only to investors in Banesto, but to the wider financial community.

As yet, details of the deterioration in Banesto's finances remain scarce. To that extent, all conclusions must be provisional at this stage. Yet it is clear that the scale of the increased provisions required to cover the fall in the value of its assets would leave it *substantially in breach of the central bank's* capital adequacy requirements. That is the only possible interpretation of the Bank of Spain's decision to provide a guarantee of liquidity in domestic and foreign markets. The more difficult questions concern the speed of the deterioration, and the failure of J P Morgan to see what was coming.

Representatives of the US bank repeatedly described Banesto as a low risk investment. Yet by conventional banking standards its balance sheet was fundamentally unsound. As the owner of Spain's biggest private sector industrial holding company, it was excessively exposed to fluctuations in the value of its share stakes in large Spanish companies. Indeed, the formal documents to the flotation in July emphasised that a majority of the companies in this industrial portfolio were in basic industries characterised by high fixed costs and volatile earnings.

Industrial exposure

Banesto's industrial exposure was, in fact, in excess of the Bank of Spain's required ceiling. But it had been given until 1998 to reduce these holdings to the appropriate extent. It was bound to remain vulnerable as long as this old-fashioned industrial banking structure remained in place. An increase in provisions against the fall in the value of these investments will no doubt prove to be one of the factors that has led to the rescue.

Another will be the deterioration in the loan book due to the recession in Spain. While Banesto is predominantly a retail bank, it is heavily exposed to the small and medium-sized businesses that suffer disproportionately in any downturn. Moreover, an aggressive management had expanded the loan book very rapidly at the peak of a protracted and euphoric economic upturn. This ill-timed dash for market share inevitably leaves Banesto in weaker shape than many of its rivals.

Warning signs

Other tell-tale warning signs were the readiness of the management, under Mr Mario Conde, to alienate the Bank of Spain, which would have preferred Banesto to find a partner in one of the country's more healthy banking groups. Mr Conde's reluctance to accommodate an institution that wields draconian power over the Spanish banking system cannot have helped his case in today's circumstances.

While there is a widespread suspicion that the Bank of Spain has treated Banesto with unusual severity, there must also be a question mark over the quality of banking supervision. Banesto was subjected to an inspection of supposedly unusual rigour a year ago. In the light of this week's events, it looks as though the inspectors may not have been quite as rigorous as they should have been.

The problems of international investors in Banesto are probably best seen as an inevitable part of the learning process in cross-border investment. Banking practice in continental Europe, despite its *apparent profitability, is not* always quite what it seems to the foreign observer. Spanish accounting is notoriously opaque and the worth of an audit report, despite the familiarity of an internationally known company's name, can vary substantially from country to country. There will be more upsets in cross-border banking deals, just as there will be financial scandals in emerging stock markets. The surprise with Banesto lies more in the blow to J P Morgan's reputation than the rescue of the bank itself.

China unifies exchange rates

The *precise* timing of China's decision to unify its exchange rate seems to have come as a surprise to some observers. What is more, the full implications remain vague. None the less, the decision is welcome, not only in itself, but for the indication it gives that Mr Zhu Rongji, vice-premier in charge of the economy and central bank governor, is able and willing to push needed reforms ahead. These must now be pushed further, in a number of directions.

Unification of the exchange rate was a logical step. The only question was when it would be taken. *At present, China* has two exchange rates: an official rate of 5.8 yuan to the dollar and a floating rate of Yn8.7. The latter is not fully unified, however. It is set in a network of 100 regional "swap centres", which were established in 1987 and remain incompletely linked to one another.

Until now companies had to sell 20 per cent of their foreign exchange earnings to the state at the official rate, while the government had the right to buy another 30 per cent at the swap rate. The rest could either be retained or sold directly or indirectly, via so-called foreign exchange entitlements, in the swap markets. Those markets are far from free: not only does the government use the 50 per cent of foreign exchange it still controls to influence the rates, but access to these markets is also restricted.

Economic liberalisation

Despite these limitations, the introduction of the swap markets has made an important contribution to economic liberalisation. Already some 80 per cent of current account transactions are done at the swap rate. The official rate is used to tax exporters and foreign tourists. It also taxes foreign investors, who had to register capital in new ventures at the official rate, but were required to repatriate profits at the swap rate. At the same time, the official rate is used to subsidise imports by government organs, including state-owned enterprises, although the latter have been increasingly forced to use the swap market.

Unifying the exchange rate will eliminate an important source of economic inefficiency, promote China's integration within the global market economy and shift management of the economy further towards uniform, market-oriented instruments and away from administrative discretion. Nevertheless, the move could have disruptive consequences.

The US might, mistakenly, see a reduction in the official rate as predatory. The shift might also be condemned as inflationary, though effects on prices are, in fact, likely to be negligible. More significantly, the move will increase financial pressure on loss-making state enterprises and the government itself, for which improvements in tax collection will become still more important. But making subsidies more transparent may also make it politically easier to reduce them.

Administrative reforms

The fundamental question, however, is how far the *implications* have been thought through. At present those requiring to convert foreign exchange into yuan, or vice versa, have only a limited idea of how the system – which is to go into effect in just two days time – is to work. The International Monetary Fund is already involved in a programme to integrate 18 leading swap centres. There are also efforts under way to create an inter-bank foreign exchange market. Such administrative reforms must now be accelerated.

Also urgent will be elimination of most restrictions on imports, important for China's accession to the General Agreement on Tariffs and Trade, and further liberalisation of access to foreign exchange. Last but not least, orthodox monetary policy will become the principal tool for management of the exchange rate, something the authorities must never forget. China is becoming a normal market economy. This means development of a market-oriented monetary system. But to be effective it must be backed up by fiscal reform and fiscal restraint.

China's reforms always come in a higgledy-piggledy manner. This is another example. But it does mark a significant stage on the way to the market. China has a long way to go, but the direction remains clear, as does the stunning economic success that has attended its journey this far.

John Gapper examines the global and domestic implications of the failure of Spain's fourth-largest bank

Tarnish ruins the rosy picture

As predictions went, it was one of the less reliable of 1993. Mr Mario Conde, the flamboyant chairman of Spain's fourth-largest bank, was explaining why investors should trust him. Spain's central bank had just inspected the books and told Banco Español de Crédito (Banesto) to reclassify Pta41bn (£200.98m) of loans as bad. There was nothing left *to fear, he argued.*

"If I was an investor looking at Banesto after this, I would think there were no asset quality surprises after such an intensive inspection. Nothing is going to happen like it happened in 1987 when we had to reclassify Pta100bn of bad debts," said Mr Conde. He was *speaking in September; on Tuesday,* his prediction was brutally disproved.

The Bank of Spain moved swiftly this week when shares in Banesto tumbled because investors' fears were growing over the bank's loan portfolio and its equity holdings in a wide range of industrial compa*nies. It briskly sacked Banesto's* board – including a vice-chairman of J P Morgan, the US corporate bank which has handled Banesto's raising of capital – and replaced them with its own management. It also said Banesto would be restructured using money from bank deposit insurance funds.

Such actions signal the biggest state intervention to prop up a private bank since the Scandinavian banking crisis of 1991. Banesto's size alone means it will have repercussions for both Spanish banking and the American investors who put money into it on the advice of J P Morgan. Banesto is the 96th-largest bank in the world, with assets of $61bn.

But Banesto's collapse has significance beyond its size. It poses questions about the ability of banks with large industrial cross-holdings to survive recessions. For instance, the Japanese banking system, probably the most troubled in the world at the moment, has been affected not only by asset price falls, but by a drop in the value of securities holdings.

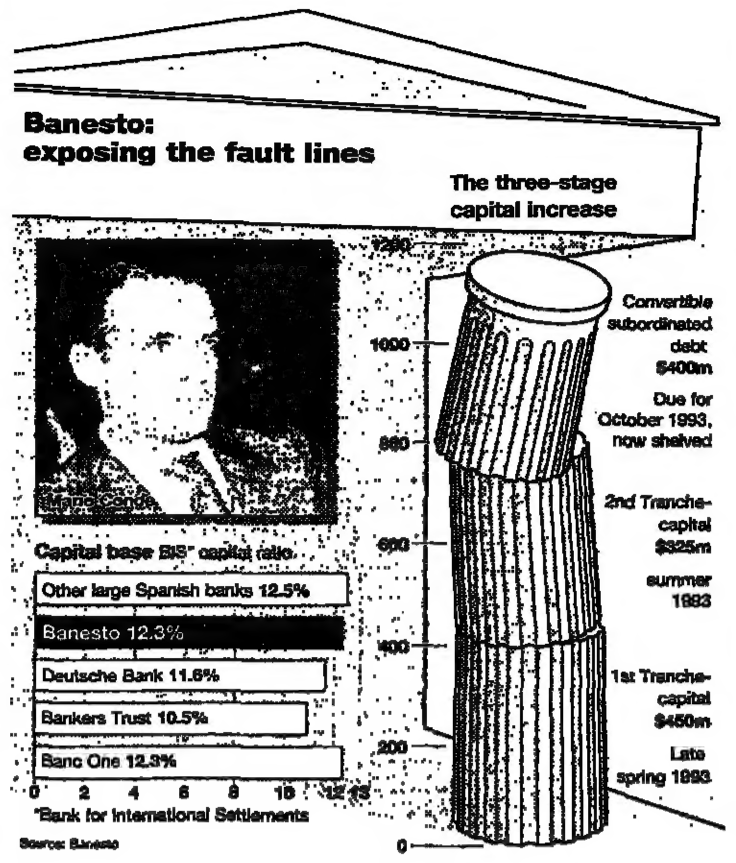
Banesto's fate is also a pointed reminder of the difficulty of assessing the value of Spanish banks. This is both because of their webs of cross-holdings, and because of the opaque nature of Spanish accounting. American investors relied on J P Morgan to point the way through these complications to the underlying potential of Banesto. Some may feel their faith was misguided.

Finally, the intervention places a question-mark over the apparently inexorable process by which brokers expect continental European banks to follow those of the US and Britain in recovering from the recessions which followed bad lend*ing in the 1980s. Investors who* expect the shares of all weak banks to rebound strongly may have second thoughts.

Mr Rod Barrett, a European banks analyst for Goldman Sachs, the US investment bank, argues that the anticipated reward of investing in Banesto never *appeared high enough.* "It always seemed to be quite a high-risk vehicle without a huge reward, and now it turns out that the risk was higher than we thought," he says. Yet global investors have grown accustomed to banks being safe bets as economies have started to recover from recesssion.

This expectation is one reason why American pension funds, among others, were willing to commit money to a bank which had long been regarded in Madrid as second-rate. Banesto shares had performed poorly for several years because of doubts about the underlying value of the business, and because of scepticism about Mr Conde's ability to turn the bank around.

For new US investors, the picture painted by J P Morgan, which both advised Banesto and invested $175m of capital from the Corsair investment fund it manages, was familiar. *Banesto was portrayed by J P Mor*gan as a retail bank recovering from lending problems. It was under-rated because it was enmeshed in a tangle of cross-holdings that could be stripped away, supporters said.



Seen in such a light, Banesto was an opportunity for rapid capital gains. The latest country to stage a banking recovery is the UK, where banks have performed strongly on the London stock market in the past year. The fastest risers have been the worst-hit banks such as Barclays, which made a loss in 1992.

Spain has been seen by some bro*kers as a natural successor to the* US and UK in terms of banking recovery. Spanish retail banks have comparatively high margins because of the conservatism of depositors. It is also a more concentrated market than some others, with the top five banks possessing a 30 per cent market share. These factors reinforced Banesto's attractions.

Investors seized their opportunity when J P Morgan managed a two-part equity-raising exercise last May. They bought some $700m of new equity in Banesto, which was used to restore the bank's capital to the levels of competitors. Morgan *took $175m on behalf of its Corsair* fund, which was set up in the US to buy the shares of just such undervalued banks.

But Banesto turned out not to fall into the category of a steadily recovering bank after all. The first clue to what lay ahead came a week ago when it shelved a $400m convertible bond issue planned to complete the $1.1bn capital-raising exercise. But there were several reasons why it was difficult for investors to discern the problems earlier:

- Despite J P Morgan's vision of its future, Banesto was not purely a retail bank. It controls both the 2,300-branch bank and a holding *company with stakes in real estate,* mining, and gases companies. Banesto has been trying to cut such holdings both to meet a Bank of Spain regulatory limit, and to release capital to use in banking.

However, divestment could mean losses for Banesto if it holds the stakes in its books at a higher value than it could sell them for. This is why banks with similar equity holdings are at greater risk from recessions than those which only hold *loans. It is unclear how much the* Bank of Spain was worried by Banesto's cross-holdings.

- Mr Conde has been at odds with the political and financial establishment of Spain since he took over Banesto at the end of 1987. Some of his supporters argue that the Bank of Spain has been more strict with *Banesto than others as a result.* Controversy over Mr Conde made it more difficult for new investors to assess the management's competence.
- Banesto has admitted to painting a rosy picture of itself in the past. Speaking in September, Mr Conde said that he was unwilling to tell *shareholders the whole truth about* Banesto's plight in 1987, because "they would have left the bank". The fact that Mr Conde had been economical with the truth in the past made it harder to accept his words at face value.

These factors meant that investors placed more weight on the judgment of J P Morgan's executives. Mr Barrett says that several investors in this year's capital issues told him they had initially taken the view that "what is good enough for J P Morgan is good enough for us".

Mr Mendoza, J P Morgan vice-chairman, who was on Banesto's board as a representative of the Corsair fund, emphasised in September that J PMorgan had examined Banesto closely because of such complications. "We spent a tremendous amount of time con*vincing ourselves that there was* substance and truth there," he says.

Banesto's failure could limit the attraction of Spanish companies as investments, since investors may conclude that Spanish accounting principles and company structures are not clear enough to let them assess risks properly.

Beyond Spain, it also reinforces questions over the degree to which European banks with holdings of debt and equity are so enmeshed in a country's industrial structure that they are excessively vulnerable to recession. Investors who have regarded the recovery of European *banks as a racing certainty may at* least pause for thought.

WILD RIDE COMES TO ABRUPT HALT FOR SPANISH MAVERICK

Mario Conde has, so far, had a knack for landing on his feet. Few had heard of him six years ago when he and a friend sold their pharmaceuticals company Antibioticos to Montedison for Pta58bn (£280m).

The money from that transaction bought him a stake in Banesto and, very quickly, he *became president of the board. With it came a* wild ride as one of the biggest beneficiaries of the economic boom that transformed the country after it entered the European Community in 1986, and now as one of the losers of the subsequent recession.

By character, Mario Conde is far from the epitome of an international banker. He brushes his hair back so that it curls slightly in the nape of his neck. When he first got to Banesto he spoke English with an English accent. Gradually it changed to an American twang, reflecting a change in teacher but also in priorities as he became more enchanted with the new world.

Critics doubted whether he would make an effective banker because his background had been as an industrialist. But his answer was that switching from industry to banking was little more than a change of management challenges.

He achieved some big successes at Banesto, unravelling the chaotic interweaving shareholdings held by the bank's old squabbling owning families into a reasonably recognisable set of institutions.

But he was never quite understood by Spain's financial establishment. He sailed a boat sponsored by Banesto and flew around in a private jet and bought himself a vast finca, or ranch, to hunt on. However he remained a very private person.

His abrupt dismissal as president of Banesto on Tuesday by the Bank of Spain will have shocked him. But he has a personal interest in fighting back hard: he had recently invested $50m of his own money in Banesto.

The son of a Galician customs officer, Mr Conde, 45, won one of the highest marks ever in national law exams in 1973. He is a Freemason who inspires loyalty among his staff.

In spite of that, he had a habit of losing friends and potential allies. He alienated the Bank of Spain by, for instance, criticising auditing practices demanded by the central bank, and could be frustratingly vague about what he wanted to do with Banesto. When asked whether he would sell all its industrial holdings or not, he would reply only: "Everything has its price."

Onemistake – aside from trying to run a troublesome bank – was to allow himself to be construed in the serious media as a man with a political brain, a possible white knight for the political right wing once Prime Minister Felipe Gonzalez leaves office. It meant he lacked friends in the government. He took Banesto into big media investments but found himself blamed for attacks on the government by newspapers he controlled.

Perhaps his darkest moment before Tuesday was in 1989 when he became involved in a Machiavellian tussle to merge Banesto with Banco Central, a large competiting bank, and thus rid Central from the grip of "Los Albertos", two equally hard nosed entrepreneurs who were threatening to take over Central.

Los Albertos eventually walked away from Central to become prosperous future owners of the smaller but healthier Banco Zaragozano, a fate Mr Conde might have wished had been his.

Peter Bruce

US BANK TRIES TO DISTANCE ITSELF FROM TROUBLED PARTNER

J P Morgan has enjoyed a reputation for quality which is the envy of other US bankers. So it was with interest – and not a little glee – that other US financiers have watched the US's most prestigious bank become embroiled in Banesto's difficulties.

In hard financial terms, the Spanish bank's *problems will to have little impact on Mor*gan. It is believed to have invested $17.5m indirectly in the bank through the Corsair fund, a specialist limited partnership it created this year to invest in bank stocks. However, the fact that Morgan, with its blue-chip reputation, had become so closely linked with the bank will have far greater repercussions.

Banesto, an outsider in the Spanish banking establishment, did not appear a natural partner for Morgan. "This was not a Morganesque institution," said Mr George Salem, banking analyst at Prudential Securities.

A second concern provoking questions has been the extent to which Morgan allowed itself to become enmeshed in Banesto. This, in turn, is likely to prompt questions about how the bank handled possible conflicts of interest arising from the relationship.

In February Corsair, a Morgan-sponsored bank "vulture fund", took a $175m stake in the bank. Such funds aim to buy shares in troubled companies which they believe are undervalued and benefit from a share-price rebound. Then, during the spring and summer, Morgan led international equity issues for Banesto totalling more than $700m. And Mr Robert Mendoza, one of four Morgan vice-chairmen, had a seat on the Banesto board.

Morgan appeared yesterday to be trying to distance itself from Corsair. One financial institution which made inquiries of Morgan yesterday said that the bank had disclaimed responsibility for the fund. "They bragged about it when they launched it, so they can't disown it now," the institution said.

By denting Morgan's reputation, the Banesto debacle could hurt its attempts to build an investment banking business. Morgan has been in the vanguard of US commercial banks seeking to extend their involvement into the capital markets. It has only a small *presence in the US underwriting business,* handling 3.2 per cent of corporate debt issues and 1.5 per cent of equity issues this year, according to Securities Data. But its presence in US capital markets is still more substantial than any other US commercial bank.

Institutions like the GE pension fund and Northwestern Mutual Life, the eighth-biggest US life company, were large holders in Banesto. The bank's problems, coming so soon after Morgan promoted its shares, are likely to harm the bank's relationships with such prominent US institutions.

While US investors are thought to have been among the biggest buyers of Banesto's stock in two rights issues led by Morgan this year, several institutions said Banesto's problems would not affect their involvement in international equity markets. The GE pension fund, with about 1.5 per cent of the bank's stock, said it would not change its plans.

A portfolio of European bank stocks would still show a considerable gain this year even after the Banesto problems, said Mr John Hickling, an international portfolio manager with Fidelity Investments, the biggest US mutual funds group.

"Clearly retail investors are throwing money at a lot of things – most recently it's been the emerging markets funds. Those are the things that really terrify me," he added.

Richard Waters

United in poverty, divided by fear

Letter from
NEW DELHI

Rizwana Begum clutches the youngest of her five small children in her arms and says: "My husband is dead. I must bring up the children alone. What else can I do?" Mrs Rizwana's husband was killed a year ago when a mob broke into their hut in Seelampur, a slum in north-east Delhi, and dragged him out. His throat was slashed and his body set alight. "I saw him being pulled out," says Mrs Rizwana. "I did not see him alive again."

Mrs Rizwana, who is aged about 30, recalls the most frightening day of her life almost without emotion – even for her, time has done its work, easing the memory of her husband's death.

So it is in much of the rest of Janata Colony, the poorest corner of Seelampur, where two-thirds of *the residents are Moslems living in* huts crammed into narrow lanes. A year ago, after the sacking of the mosque in far-off Ayodhya by Hindu militants, Hindu mobs went on the rampage in Seelampur burning and looting. Moslems fought back, but in vain, because, they claim, the mainly Hindu police sided with the rioters. All 23 dead were Moslems, as were 22 of 23 seriously injured. The bulk of the 300 homes and workshops destroyed belonged to Moslems.

Today, like Mrs Rizwana, Moslems and Hindus alike try to carry on with life. Living cheek-by-jowl, sharing the same paths and the same water pumps, they can hardly do otherwise. Poverty unites them in a way that even the most enormous injustices cannot destroy. A few hundred people fled from their homes immediately after the riots; but almost all returned in a few days. They had nowhere else to go.

Yet these are no longer people *living at peace with each other* – or with themselves. There is a fear, especially among Moslems, that the militants might return. Mr Anish Ahmed, a 37-year-old Moslem tailor, says: "Right now things are fine. But every time a firecracker goes off we worry."

The Moslems say they are not *scared of their Hindu neighbours,* only of the outsiders who led the mob last time and could come back. Local Hindus also say that the trouble-makers were all strangers. They add that they did not see who they were or what they did. "We went away to hide," says Mr Tara Singh, a plasterer, and his Hindu friends nod their heads in agreement.

Among the outsiders blamed for stirring trouble are activists from militant Hindu organisations led by the Bharatiya Janata Party, which has made great strides in popularity in the past decade. Mr B L Sharma, the BJP, MP from East Delhi, who has spent his life promoting Hindu militancy, denies that Hindus have been stirring trouble in Seelampur. Moslems suffered in the riots, he says, because they took to the streets against the police – a version of events rejected by local people, Hindus and Moslems alike. "Moslems must learn to respect the sentiments of the Hindu *majority. Then they can live in* peace," says Mr Sharma, resorting to the sophistry employed by his party's militants.

Fortunately for peace in Seelampur, the BJP fared badly in the recent state-level elections in northern *India. Mohammed Abid, a 20-year-*old tailor, says: "Here, even the Hindus voted against the BJP. How can we fight with Hindus when we are all neighbours."

Walking around Seelampur, it is difficult to make out which houses were damaged – new ones have gone up in their place and it does not take long to build a two-room hut. Also, the heat, sun and dust soon remove the veneer of newness from these rough-built homes. Even in the timber yard, scene of the worst damage a year ago, most burnt-out workshops have been rebuilt. In place of the smell of blackened timber there is the fresh scent of new-cut wood.

Almost everywhere people are sitting in the street, working – tailors, embroiderers, carpenters, butchers and collectors of cow-dung – crammed into the narrow lanes. Some earn as little as Rs5 (£0.16p) a day – just enough to survive on bread, rice and vegetables.

Poverty makes riot compensation a big issue. A handful of people whose close relatives were killed, including the widow Mrs Rizwana, have received one-off grants of up to Rs200,000. But those who suffered damage to property claim they received far less than they lost. A tailor with sewing and cut*ting machines in his workshop* asks: "What is Rs20,000 compensation for those who lost Rs2m?"

The People's Movement for Secularism, a charity working in Seelampur, says just 35 of 386 claims made to the government have been settled. Those still waiting include the families of 12 of the dead – their claims are disputed because the victims were killed by police bullets. Such fatalities are classified as rioters and are ineligible for compensation – unless their innocence can be proved, a difficult challenge when few witnesses are ready to come forward.

Mr J K Sharma, the district com*missioner of police for Seelampur,* says he wishes the government would settle the claims more quickly. "The law-and-order situation now is fine," he says. Autumn, with its many Hindu and Moslem religious festivals, passed without incident. "If people were still angry we would have seen protests. But *there weren't any.*"

Mr Abid, the Moslem tailor, says that no matter what the injustices, life has to go on. "I've lived here 16 years. I'm staying and I will bring up my children here." Mr Abid is captain of the local cricket team. He has five Hindus and seven Moslems in his squad. Some 200-300 *spectators come to matches,* Hindus and Moslems. There has never been any trouble, he says, and he hopes there never will be.

Stefan Wagstyl

FINANCIAL TIMES
Thursday December 30 1993

Index of leading indicators up 0.5% in November

US economy heads for a healthy start to 1994

By George Graham in Washington

The US economy is poised for a healthy start to the new year, according to the administration's principal measure of future economic prospects.

The index of leading economic indicators rose by 0.5 per cent in November, the fourth consecutive monthly rise. At the same time, sales of existing homes rose in November by 3.9 per cent to a record annualised rate of 4.21m homes, according to the National Association of Realtors.

The main components in the rise in the economic index were lower claims for unemployment benefits, increased orders for new commercial buildings and business equipment and higher prices for raw materials, the Commerce Department reported yesterday.

The department said eight of the 11 elements of the index were pointing upwards in November, including more requests for building permits, stronger orders for consumer goods and longer average working weeks.

The index of coincident indicators, intended to mark the pace of current economic activity, rose 0.5 per cent in November, also the fourth consecutive monthly rise.

Mr Bob Elrod, president of the realtors' association, said buoyant home sales were driven by buyers' increased confidence in the economy.

"Consumers are reading the market accurately, knowing that conditions are prime for buying. An increase in resales on this magnitude is a substantial vote of confidence in the economy," he said.

The realtors' survey showed home sales rising strongly in the midwest, east and south last month, but falling in western states. The median house price rose fractionally on the month to $106,800, 4 per cent higher than a year earlier.

Surveys such as the Conference Board's consumer confidence index, published earlier this week, show that the almost unfaltering strength of recent economic statistics has produced a surge of optimism in the US. Sales indications show that feeding through to purchases of expensive items such as homes, household appliances and cars.

The steady diet of good economic news has encouraged some economists to predict growth rates for the whole US economy of more than 4 per cent in the fourth quarter. Although that pace is not expected to be sustained in the new year, most economists believe steady growth of around 3 per cent is likely in the first six months of 1994.

Belgrade central bank cuts nine zeros off dinar's value

By Laura Silber in Belgrade

The Yugoslav National Bank, battling against hyperinflation, yesterday began issuing newly denominated banknotes which knock nine zeros off the dinar.

The move, which will mean 1bn dinars is now equivalent to one dinar, had been expected to go into effect on January 1. But Politika, the Serbian newspaper, reported that huge payments of pensions, wages and consumer spending before new year holidays had forced the early redenomination.

Belgrade economists said the national mint, which was working 24 hours a day, was unable to print notes fast enough to keep pace with the inflation rate, which renders currency worthless within days of issue.

The official rate of monthly inflation climbed to 20,190 per cent in November and is expected to soar to 350,000-500,000 per cent for December.

On Friday the National Bank issued a 500bn dinar note, the highest denomination and equivalent at the time to DM7 on the black market. By yesterday afternoon its value had plunged to about 40 pfennigs. The central bank dropped six noughts from the dinar on October 1. Some 18 zeroes have gone in the past three years.


A man collects discarded dinar banknotes in Belgrade centre

The D-Mark has virtually replaced the local currency. In all but a handful of state-run stores, shopkeepers demand payment in D-Marks or change their prices on an hourly basis. Pfennig coins, DM5 and DM10 notes are prized.

A Belgrade grocer said she usually raised her prices by an "enormous percentage" in order to have a day off from constantly rewriting new prices as the dinar dropped.

The average monthly pension of 1,690bn dinars (DM1.8) can buy just 13 loaves of bread. People are often paid in bread, sugar, oil or meat rather than increasingly worthless dinars. In state stores, prices are no longer expressed in dinars but in "bodes", points in Serbo-Croat, which are tied to the D-Mark.

Economists say that only draconian measures – including stopping the printing of money and massive reductions in government spending – can salvage the dinar. The economy of the rump Yugoslavia – Serbia and Montenegro – has been hit by the collapse of trade between the former Yugoslav republics. It has also been devastated by bills for nearly three years of war in Bosnia and Croatia, and has been exacerbated by United Nations sanctions, including an oil embargo.

Eurotunnel drops £1bn suit against UK and France

By Andrew Baxter in London and John Ridding in Paris

Eurotunnel is to drop most of its estimated £500m-£1bn ($745m-$1.5bn) of claims against the British and French governments in return for winning an extra 10 years on its concession to operate the Channel tunnel. The concession will now end in 2052.

The deal between Eurotunnel and the two governments, announced last night, clears the way for Eurotunnel to complete negotiations with its bankers for additional funding to cover start-up costs for the tunnel, which opens in March.

"It's a deal, and yet another settlement of an open issue, about which we can be pretty pleased," Eurotunnel said. "This largely resolves the outstanding issues between the French and British governments and Eurotunnel," a French government official said.

The cost of the tunnel has risen from £6bn in 1987 to about £10bn, partly because of the costs incurred by Eurotunnel on safety, security and environmental measures demanded by the two goverments.

Eurotunnel had intended to make claims against them to recover the costs. "In the past six years the tunnel has evolved significantly, and in costly fashion," it said.

Under a deal agreed in principle on Christmas Eve and signed yesterday, Eurotunnel's concession is extended from 55 to 65 years, running from enactment of the Channel Tunnel Act in 1987.

In exchange, Eurotunnel will drop most of its intended claims. It would still have to find the whole cost of the project.

The agreement should facilitate, and is conditional upon, Eurotunnel's raising enough finance to start operations.

Eurotunnel has raised about £8.95bn, but has said it needs at least another £1bn, mainly to cover debt servicing before the tunnel begins to break even on a cash basis in 1998.

It has to reach agreement with its banks by January 4 on the financing plan for the £1bn, of which at least £500m should come from a rights issue in spring 1994.

See Lex

THE LEX COLUMN

Banesto's capital question

The Bank of Spain's intervention at Banesto will have raised the temperature of many Milwaukee insurance fund managers to boiling point. Those US funds which helped sink $700m of rights issue money into Banesto this summer will be appalled by the sudden turn of events. Investors were persuaded by J.P. Morgan that once Banesto's complex web of cross-shareholdings had been untangled, a strong retail bank would emerge boasting good recovery prospects. Banks have certainly been European flavour of the year, as the successful privatisation of Argentaria among others illustrates.

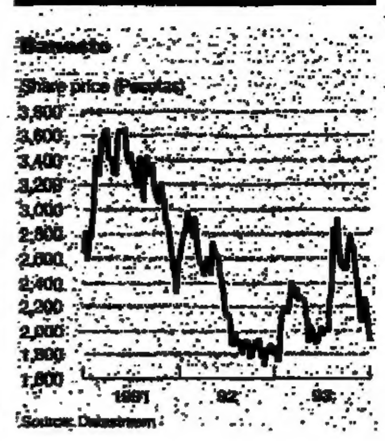
Banesto's fall seems to owe more to its own shaky loan portfolio and peculiar collection of industrial assets than any general weaknesses in the Spanish banking system. Yet there remain many unanswered questions – not least why the Bank of Spain chose this moment to intervene. Banesto had long lingered below the capital ratios of other Spanish banks and the Bank had been monitoring its financial health for some time. This raises the suspicion that there is some more specific bad news to come. J.P. Morgan's seeming ignorance is particularly baffling, given its seat on the board. It invested some of its reputation in Banesto along with its own and its clients' money. There will be red faces aplenty at the blue chip bank.

Banesto cannot hope to continue operating in its present form. The new management will have its work cut out rationalising overhead costs to squeeze cash flow and seeking buyers for its industrial businesses. The most likely outcome is that a single Spanish bank, such as BBV, or a broader consortium will eventually assume control. The reaction of the Madrid stock market in dumping shares across the sector shows how nervous it is about the prospect.

UK housing

As has become the tradition of the season, forecasts abound about the housing market. Some estimates suggest prices in prime areas of London may rise by 25 per cent next year. Other predictions point to double-digit growth. In relative terms, houses are more affordable than for decades. The average house price to earnings ratio is at the lower end of its historical range. Interest rates could fall further while unemployment is drifting downwards. That will reinforce the confidence of prospective buyers with the

FT-SE Index: 3462.0 (+49.7)



demographic squeeze doing the rest.

But that is perhaps to underestimate the pressure on real incomes that Mr Kenneth Clarke has administered in his Budget. Earnings inflation cannot be counted upon to stimulate the market as it has in the past. Prices have stopped falling and are starting to edge upwards. But negative equity, higher deposits, and the greater scrutiny of lending will keep the speed of recovery in check. A recent study by the Joseph Rowntree Foundation estimated that 26 per cent of the homes bought between 1988 and 1991 were worth less than the mortgages used to buy them. The Halifax survey predicting a 15 per cent increase in volume but only a 5 per cent increase in price seems the most plausible estimate.

Euro Disney

The business plan for Euro Disney is in suspended animation while the accountants check that the company's famous imagination has not run away with it. Serious negotiation between the company and its banks will thus have to wait for the hard numbers. Yet Mr Michael Eisner, Walt Disney's chairman, seems happy to carry on with his campaign of megaphone diplomacy in the meantime. The banks have to weigh the damage to the Disney image if it walked away from the park against the parent company's very limited financial exposure. So Mr Eisner has every reason to soften the banks up as much as possible. He also has a much more frightening audience closer to home. Walt Disney stockholders are already grumbling about their chairman handing out money to European banks.

Still, some battle lines are clear. Euro Disney's operational cash flow is slightly positive, and some further cost savings may be possible. But in the absence of a strong upturn in attendances, the park is not going to generate enough cash to service any great quantity of debt or equity. It is hard to see a rights issue raising more than FFr5bn-FFr6bn, since that would require at least a one-for-one issue. Even that would not cut Euro Disney's FFr21bn debt by enough to put the park on a firm footing. A write-off of a further FFr5bn of bank debt would still leave the company in loss for 1993-94, but would offer hope thereafter. The banks, however, are likely to want equity in return, further diluting existing shareholders. To put any sparkle of value back into the shares, a fairy godmother will have to acquire the park's half-empty hotels.

LWT/Granada

Up to the first closing date of Granada's bid Sir Christopher Bland, LWT's chairman, has done little more than talk a good fight. The much-rumoured defensive alliances have not yet materialised, perhaps because shareholders would spit out anything which tasted like a poisoned pill. LWT's strongest argument – that its fancy media rating might be swamped by Granada's sprawl – may not be enough to save it. Even given the current enthusiasm for the sector there is a hefty bid premium in LWT's share price. Shareholders eventually may be tempted to accept the offer rather than risk allowing their windfall profits to slip away. LWT will have to come up with something more solid if it is to get the decision.

Eurotunnel

Eurotunnel's coyness about the value of its extended concession is a little irritating. Still, while the present value of an extra 10 years of revenues 50 years from now is doubtless modest, the company has resolved another of its apparently infinite number of disputes. That alone should be enough to boost the shares when the market has the chance to offer its verdict. On the other side, the pain of forgone revenues to governments who find planning over 5 years difficult is presumably zero. The settlement may also reassure those considering private-public joint ventures that the government can be reasonable, provided it does not cost real money.

BBV prepares to take control of stricken Banesto

Continued from Page 1

movements in the Banesto accounts.

Inspectors had found that Banesto's need to provide for pensions had risen from some Pta30bn (£147.05m) last year to nearly Pta80bn in October.

The official added that capital gains in Banesto's industrial corporation had been incorrectly booked. Banesto and the Bank of Spain inspectorate long been in dispute about Banesto's treatment of portfolio losses. Bank officials have accused Mr Conde of taking the profits or losses wherever they made Banesto's figures appear most favourable.

Mr Roberto Mendoza, the J.P. Morgan vice-chairman most closely associated with Banesto, was in Madrid yesterday. Morgan encouraged its Corsair banking fund to invest $175m in Banesto this year.

Mr Luis Angel Rojo, governor of the Bank of Spain, is due to explain the dismissal of Mr Conde to parliament today.

He will insist that Banesto's financial difficulties gave him little option but to appoint a new board, but the removal of Mr Conde has quickly taken on political overtones. The former chairman was unpopular with government and had frequently clashed with the Bank of Spain.

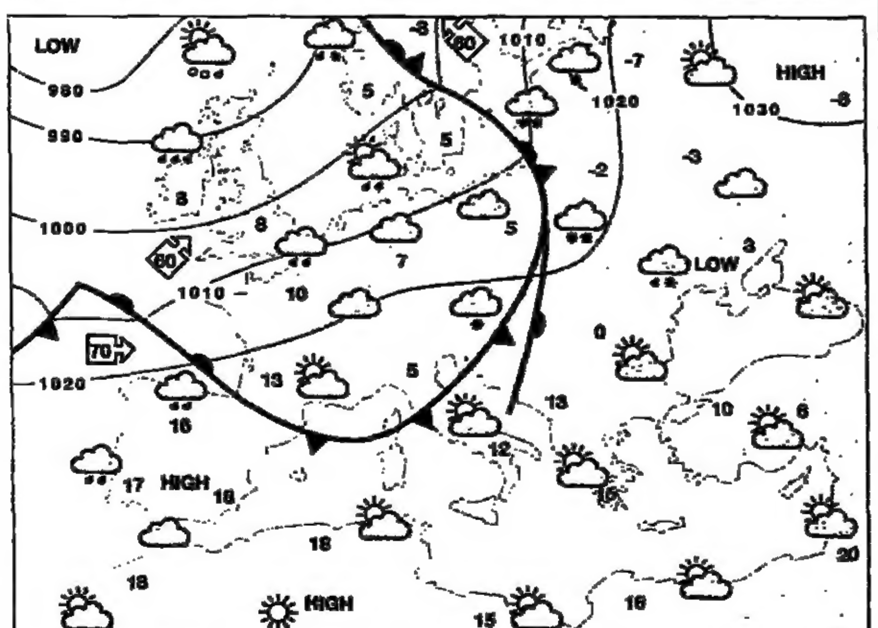
FT WEATHER GUIDE

Europe today

Milder air is slowly moving eastward over southern Scandinavia and central Europe. On the eastern side of the warm front, snow will fall in many places with most expected around the Baltic Sea. The Alps will be rather cloudy with fresh snow in Austria but freezing levels will begin to rise from west to east. Freezing levels in the French Alps will rise to 2,000-2,500 metres tonight. Rain will fall at lower altitudes. A surge of mild air will approach France from the west, causing heavy rain later over northern France and the Channel. South-westerly winds may increase to gale or strong gale force along the coast of Brittany and the northern Bay of Biscay tonight. Southern Europe will be settled with sunshine at times but some showers will occur around the Ionian Sea.

Five-day forecast

Western Europe will remain unsettled. A westerly current will bring a series of disturbances producing rain and wind. The Alps may get fresh snow around the new year as a frontal zone arrives from the west. The Dolomites will also have fresh snow at the start of the new year.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Belfast	fair	4	Cardiff	rain	8	Frankfurt	shower	8	Malta	shower	16	Rio	fair	30
	Celsius		Belgrade	fair	1	Chicago	fair	-5	Geneva	fair	5	Manchester	cloudy	6	Riyadh	sun	28
Abu Dhabi	fair	27	Berlin	shower	6	Cologne	shower	9	Gibraltar	fair	18	Manila	fair	29	Rome	fair	12
Accra	fair	32	Bermuda	fair	23	D' Salaam	fair	30	Glasgow	shower	2	Melbourne	fair	18	S. Frsco	cloudy	13
Algiers	fair	18	Bogota	fair	20	Dakar	fair	25	Hamburg	shower	7	Mexico City	fair	21	Seoul	shower	3
Amsterdam	shower	7	Bombay	sun	32	Dallas	fair	9	Helsinki	snow	-3	Miami	fair	25	Singapore	shower	28
Athens	fair	15	Brussels	shower	9	Delhi	sun	23	Hong Kong	cloudy	21	Milan	fair	5	Stockholm	sleet	3
B. Aires	fair	27	Budapest	cloudy	-1	Dubai	fair	26	Honolulu	fair	28	Montreal	fair	-18	Strasbourg	fair	11
B.ham	fair	6	C.hagen	shower	5	Dublin	cloudy	6	Istanbul	shower	10	Moscow	cloudy	-8	Sydney	fair	28
Bangkok	fair	31	Cairo	fair	21	Dubrovnik	fair	13	Jersey	cloudy	9	Munich	cloudy	8	Tangier	fair	18
Barcelona	fair	15	Cape Town	sun	26	Edinburgh	shower	3	Karachi	fair	27	Nairobi	shower	27	Tel Aviv	fair	21
Beijing	sun	2	Caracas	cloudy	27	Faro	fair	18	Kuwait	fair	25	Naples	shower	13	Tokyo	rain	14
									L. Angeles	fair	21	Nassau	fair	27	Toronto	fair	-7
									Las Palmas	fair	21	New York	windy	0	Tunis	fair	15
									Lima	fair	26	Nice	fair	12	Vancouver	rain	7
									Lisbon	fair	15	Nicosia	fair	20	Venice	fair	6
									London	fair	8	Oslo	snow	-1	Vienna	sleet	1
									Lux.bourg	fair	7	Paris	cloudy	9	Warsaw	snow	0
									Lyon	fair	7	Perth	sun	32	Washington	windy	2
									Madeira	fair	19	Prague	cloudy	6	Wellington	cloudy	19
									Madrid	fair	13	Rangoon	fair	31	Winnipeg	cloudy	-18
									Majorca	fair	17	Reykjavik	rain	3	Zurich	cloudy	8

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday December 30 1993

IN BRIEF

Mercedes looks to foreign plants

Mercedes-Benz, the car subsidiary of the Daimler-Benz group, is to increase commercial vehicle production outside Germany. The expansion will concentrate on the south American market, China and Indonesia. Page 12

Harsh words from Samsung chairman
Samsung, South Korea's oldest and largest conglomerate, is in danger of becoming a second-rate international business unless the group rapidly shifts its focus from quantity to quality and overhauls its cumbersome bureaucracy. That is the message coming from its own chairman, Mr Lee Kun-hee. Page 12

Occidental wins price control ruling
Occidental Petroleum has won a $1bn ruling from the Federal Energy Regulatory Commission over charges of price control violations dating back to the late 1970s. A separate proceeding brought by the Department of Energy last year alleging that the same crude oil transactions violated other regulations is still pending. Page 12

Hewden-Stuart bargain-hunting

Hewden-Stuart, the UK's biggest independent plant hire company, is an avid exponent of "bottom fishing" – snapping up competitors or their assets when prices are at a minimum. In July the Glasgow-based group paid £11m ($16.5m) for Hireplant. By October, analysts learnt that the previously loss-making business was expected make an immediate contribution to group profits. Sir Matthew Goodwin (left), chairman, explained his fundamental tenet: "The only thing that matters in any business is cashflow. This must be understood throughout the group." Page 14

New leaf for Charles Letts
Charles Letts, the private company, which claims 25 per cent of the UK's £70m ($105m) diary market and estimates a 5 per cent share of diary sales in the western world, is raising £16m from venture capital backers. Page 14

Replanting plantations
From Tuesday listed plantation companies will be found in a subsector under Other Services and Businesses, marking the end of an era for what used to be one of the most important parts of the London market. The market capitalisation of all the plantations now is too small to make a separate index sector possible. Page 15

Sweet pay-off
Tate & Lyle, the sugar and sweetners group, disclosed that it paid £1.1m ($1.6m) in compensation to Mr Stephen Brown, its former chief executive, who left the company in March. The compensation package was agreed after he failed to resolve differences over management style with Mr Neil Shaw, the chairman. Page 14

A good catch
A handful of trout farmers who joined to market their produce through a co-operative have turned the venture into a success. Today Scot Trout processes 3,000 tonnes of farmed trout a year, representing 20 per cent of the UK market. Its annual turnover is £12.5m ($18.7m). Page 16

Frenzy hits Kuala Lumpur
A share frenzy has gripped Malaysia. The Kuala Lumpur composite index, up 8.81 at a record 1,231.86 yesterday, has risen by 91.7 per cent this year. The retail market, rather than local or foreign institutional buyers, is leading the stock market charge. Back Page

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Zanders Feinpp	230	+	10
Falls			
Bayer Vereinsb	570	–	15
Commerzbank	352	–	9
Douglas Hldg	556	–	16
Metallgesellschaft	275.5	–	15.5
Viag	430	–	7.7
NEW YORK ($)			
Rises			
CompUSA	21¼	+	1⅞
Conti Airlines B	20¼	+	1¼
Corestates Fin	26⅞	+	16⅝
Falls			
Delta	54⅝	–	1⅛
[illegible]	23	–	2⅞
Montedison	5⅞	–	½
New York prices at 12:30.			
LONDON (Pence)			
Rises			
Abbey Nat	518	+	22
Allied-Lyons	693	+	28
BICC	408	+	15
Bakyrchik	347	+	17
Caldwell Invs	54	+	5
Candover Invs	345	+	17
Capita	233	+	11
Coal Invs	32½	+	3½
Countryside Pr	164	+	8
Eurotunnel Uts	583	+	23
Fisons	128	+	15
HSBC	945	+	35
Kitty Little	55	+	13

PARIS (FFr)			
Rises			
Intertechnique	438	+	19
SLIC	900	+	25
Taittinger	2580	+	191
UFB Locabail	434	+	34
Falls			
Essilor Intl	712	–	23
Radiotechn	[illegible]	–	12.7
TOKYO (Yen)			
Rises			
Mazda Motor	410	+	27
Mitsui Petchem	599	+	[illegible]
Falls			
Fuji Fire & Mar	[illegible]	–	32
Hokkaido Takush	435	–	87
Misawa Homes	914	–	66
Sanrio	930	–	150
Lloyds Bank	594	+	26
Marks & Spencer	460	+	20
McCarthy Stone	81	+	6
Morrison (Wm)	114	+	7
NESCO Invs	58	+	7
Sainsbury (J)	[illegible]	+	17
Treatt	156	+	11
[illegible]	329	+	11
Falls			
Bowater	469	–	14
Euro Disney	358	–	16

Ex-Gota Bank directors face suit

By Hugh Carnegy in London

Sweden's Gota Bank will today open a civil court action to demand damages from former board members in the government's latest attempt to hold bank executives and directors accountable for the loan loss crisis that hit the financial system last year.

The Bank Support Authority (BSA), the state agency established to manage the crisis, said the suit – relating to loan activity during 1990 – would be filed against several former directors in the Stockholm district court.

Gota Bank was one of the biggest victims of the bank shock. It was taken over by the state after running up credit losses of SKr13bn ($1.6bn) in 1992. It is to be merged with Nordbanken, also taken over by the state, on January 1 after a rescue and recapitalisation operation that has cost taxpayers SKr30.4bn.

Mr Stefan Ingves, chief executive of the BSA, said further investigations of loan practice at Gota Bank during 1991 and 1992 were under way. The government, as shareholder, has also refused to absolve Gota directors of their legal responsibilities during 1992 pending a separate inquiry into the management of the bank.

Meanwhile, the BSA is still in dispute with the Gota parent company over the worth of the bank at the time of the government takeover. The BSA claimed the bank was only worth SKr1.

Last week, a former chairman of Nordbanken, four former senior executives and several former board members agreed collectively to pay the government SKr16m – partly made up of "golden parachutes" paid to them when they left the bank – in a settlement in which they admitted wrongdoing in the administration of loans during 1990.

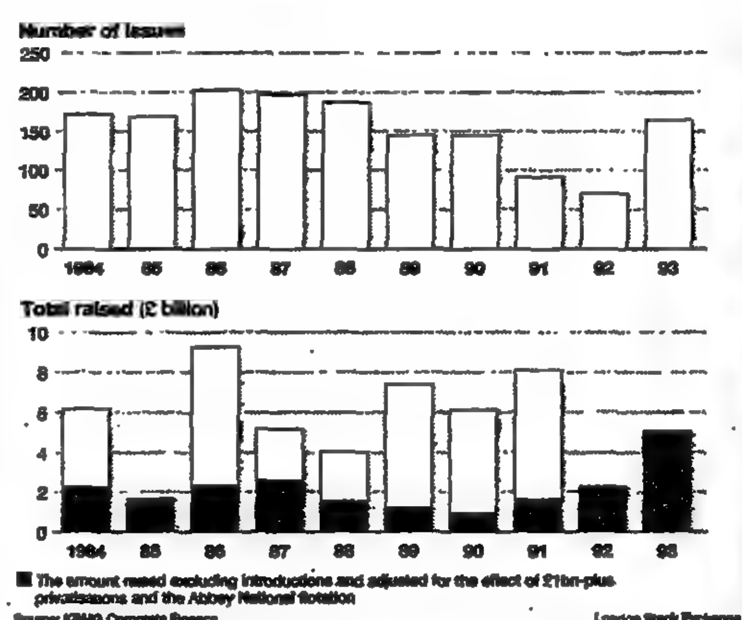
In addition, the state prosecution office is scrutinising 156 individual loans worth SKr37.8bn made by all the leading banks except Svenska Handelsbanken, on suspicion of criminal malpractice. No charges have yet been brought.

The bank crisis erupted after a spate of bad loans, mainly related to property. The banks have improved performance this year, but the government has committed SKr92.1bn in bail-outs. It has also put SKr110bn of Gota Bank and Nordbanken's bad loans in so-called "bad banks", which will remain in state hands after Nordbanken is re-privatised.

Maggie Urry finds some overheating ahead of the next wave of new issues

Quality queried as flotation fatigue sets in

Ten years of new issues



London Stock Exchange

The new issues market badly needed the rest provided by the holiday season. This year's flood of companies coming to the stock market has put such a strain on investors that recent flotations have suffered.

There is every prospect of the rush resuming in the new year, with names such as Dairy Crest, House of Fraser, Ashanti Goldfields, Beazer Homes and Alpha Airports Group, part of Forte, lined up.

The overheating of the new issues market has meant that some recent issuers have had to accept a lower price than they might have hoped for, while others have withdrawn flotations.

The market's attack of indigestion was caused by a surfeit of issues in November, and has been worsened by the inclusion of some unpalatable deals. Quality control of new issues has become a worrying challenge for the City.

The excess of issues in November can be put down to companies waiting until the summer holidays were over before starting the marketing build-up – meaning the earliest float date would be in mid-October – while aiming to squeeze in before the November 30 Budget. There were also a dozen issues from companies set up to be corporate members of Lloyd's under the insurance market's new rules. "The market has seen six months worth of issues in six weeks," says one corporate financier.

The amount of money being demanded by flotations has not of itself been a problem. New issues have called on about £5bn ($7.5bn) this year, while rights issues have taken more than £11bn. But nearly all the issues have been from companies regarded by professional fund managers as "small", usually consigned to specific small company funds. Their flotations have often been primarily directed at institutional investors through placings.

Managers of small company funds have been inundated with requests from issue sponsors to meet the companies' managements. One fund manager says: "I have to fight them off. I ask myself can I spare the time to see them? It's a matter of doing a bit of quick desk research first." He admits to dismissing Celltech – a recent biotechnology issue which did not meet enthusiastic support – on the grounds that "I don't understand those sorts of things".

The second problem, that of quality, is more serious. One merchant banker puts it delicately: "There have been a lot of issues this year which have been not the highest quality and have been overpriced."

The ease with which companies have floated and the prices obtained – usually higher than could be achieved through a trade sale – has tempted more to come to market. Within the total, bankers and brokers say, there are bound to be a few less good businesses. "There are always pearls among the swine, you just have to be selective," says the fund manager.

Investors' selectivity has left some companies attracting poor demand for their shares. Some, such as Lilliput Group, which makes ornamental houses, and Court Cavendish, the nursing home operator, saw the share price sink below the issue price.

Others which floated before the summer lull have since warned on profits and suffered share price falls. Drew Scientific, which makes diagnostic medical kits, floated in May. In October Drew announced it would make a loss in the six months to September 30, rather than the profit investors had expected. It had been having problems since July with a component for its kits. "None of this was known when we issued the prospectus," the chairman said. The shares now stand at 63p, compared with the 105p issue price.

A similar tale came from Holliday Chemicals, which makes industrial dyes. It floated in March at 195p and reported a slight fall in interim profits in August. Last month it issued a warning about full-year profits and its share have fallen to 160p.

The case which has upset investors most, though, was last month's collapse into receivership of Swithland Group less than two weeks after the car dealer had failed in its attempt to float. It became clear the group needed the cash it would have raised from the issue simply to survive. The issue, which was not underwritten, did not attract sufficient demand to go ahead.

Sponsors of issues, usually merchant banks or stockbrokers, have always given an implicit seal of approval to an issue simply by putting their name to it. From December 1, though, the London Stock Exchange's listing rules changed, increasing sponsors' responsibilities while allowing a wider range of advisers to act as sponsors.

They are now required to write a formal letter to the exchange confirming that the listing rules have been complied with – which includes ensuring that "proper disclosure" has been made. If a sponsor is found to have broken its obligations, the exchange can censure it, disqualify it from acting as a sponsor and publish the reasons. A sponsor could jeopardise its reputation if it brought a company to market which later proved to have misled investors in its prospectus.

In public sponsors say they are unconcerned about the new letters which, they protest, only formalise an existing commitment to supervise issues properly. Mr Nigel Atkinson, head of listings at the exchange, says he hopes the new letters will make sponsors more responsible.

Even before the rule change, he says, the exchange has made a point of following up cases such as profit warnings soon after a float. Advisers are given a "hard time" over the due diligence they carried out when preparing the prospectus.

If next year's bout of new issues is to find a receptive market, sponsors will have to show more restraint in picking the companies they are prepared to bring to market. And investors must continue to be vigilant in examining the prospectuses and grilling the management.

Eisner talks tough on 'dreadful' Euro Disney

By Alice Rawsthorn in Paris

Mr Michael Eisner, chairman of Walt Disney, the US entertainment group, has written to shareholders describing Euro Disney, the troubled French theme park that is 49 per cent owned by Disney, as his company's "first real financial disappointment".

"This had been a very serious problem: one that has cost us an enormous amount of time and anxiety," wrote Mr Eisner. He added that Euro Disney's performance had been dire. "Some would call it dreadful, and in a financial sense, I'd be forced to agree."

Mr Eisner's comments came at the end of a year in which Euro Disney's well publicised difficulties have depressed Walt Disney's share price and finances.

Walt Disney shares fell $½ by lunchtime yesterday in New York to $43⅝. Euro Disney's shares rallied in Paris to close up FFr2.85 at FFr31.90, having fallen sharply the previous day.

Euro Disney, which is struggling to avert bankruptcy by negotiating an emergency financial restructuring package with its creditor banks, has since the opening of the EuroDisneyland theme park in April 1992 been burdened by heavy debt and badly affected by the European economic recession.

The company, which recently reported a net loss of FFr5.3bn ($908m) for the year to September 30, has severe cashflow problems and is expected to run out of cash early next year, thereby becoming technically bankrupt. Walt Disney has promised to support it financially until the completion of the restructuring, but only until March 31.

Mr Eisner stressed that he would not allow Euro Disney's problems to imperil his company. He told shareholders: "We certainly are interested in aiding Euro Disney, the public company that bears our name and reputation. We will deal in good faith with our fellow shareholders and Euro Disney creditors. But in doing so I promise all shareholders of Walt Disney that we will take no action to endanger the health of Disney itself."

The Disney camp is awaiting an audit commissioned by the creditor banks into Euro Disney's financial position before full-scale negotiations over restructuring can get under way.

Lex, Page 10

Granada extends £660m bid for rival UK TV company

By Raymond Snoddy and Tim Burt in London

Granada, the rental, leisure and television group, yesterday extended its £660m ($980m) hostile offer for London Weekend Television for two weeks.

At yesterday's first closing date, acceptances added only 2.39m shares, or 2.31 per cent of the target's equity, to those already held by Granada, taking the total to 19.82 per cent. The new deadline is January 12.

The offer is based on six new Granada shares for every five LWT shares, worth just over 640p a share at last night's close, with a cash alternative of 528p. LWT closed up 2p at 625p yesterday.

Since Granada launched the bid on December 6, its share price has risen from 485p to 534p yesterday – down 1p on the day – adding about 10 per cent to the value of the paper offer.

Sir Christopher Bland, chairman of LWT said of the level of acceptances: "I am not even going to use the word derisory." LWT is not expected to take any further action until close to January 14, when it will provide a profit estimate.

Sir Christopher has urged shareholders to stick with a "pure" television company rather than take the paper of "a conglomerate earning half its profits in a low growth sector".

Talks are continuing with Yorkshire-Tyne Tees which could lead to an LWT offer, although because one company can only hold two ITV licences a home would have to be found for Tyne Tees. The deal envisages Anglia Television taking over Tyne Tees in the hope that the four ITV franchises could eventually be brought together to form a super ITV region.

Meanwhile Mr Gerry Robinson, the Granada chief executive, has said: "Although we are in a number of different businesses, television will become a much larger part of Granada." He was speaking after last week's EGM which approved the bid for LWT.

"This acquisition isn't going to make us a Paramount that's for sure. But we think there will probably only be three major [ITV] players at the end of the decade: ourselves, Carlton and MAI," he added.

Carlton Communications has made an agreed bid for Central and MAI, the main shareholder in Meridian Broadcasting, the south of England company, is interested in expansion.

Lex, Page 10

Hanson makes £90m disposal

By Peggy Hollinger in London

Hanson's disposal programme continued yesterday with the £90m ($135m) sale of 11 companies to a management buy-out team backed by the venture capitalist group, Electra.

The deal brings the total raised through disposals this year to £250m. Hanson is understood to have targeted a range of non-core businesses for sale to raise more than £500m to reduce its £3.4bn debt.

The 11 disparate businesses, with total net assets of £40m, include SLD Pumps, the UK's largest pump hire business with 40 per cent of the market. This is thought to have been the main target for Electra and the MBO team, along with two other plant hire operations. It is expected that these will be floated in roughly three years' time.

SLD Holdings, the buy-out vehicle, is also acquiring a range of manufacturing and other companies which are likely be sold in the longer-term.

The shares defied the buoyant market, rising just 1p to 273½p. This may have reflected unhappiness with the price, according to analysts. The deal will be marginally dilutive, but it will result in an exceptional profit of £45m.

"One would have thought they could have got more than £95m if they had floated, given the current market conditions," said Mr Mike Murphy, an analyst with SG Warburg Securities.

However, Hanson defended the deal, saying the disposal carried the group some way towards "tidying up" its non-core UK operations.

The Electra-backed team is paying a multiple of just over seven times, based on annual operating profits of £12.2m. Mr Tim Syder of Electra, who will sit on the board of SLD Holdings as a non-executive director, said the team was planning to invest in the businesses.

Electra is providing £31.8m in funds and will have an 80 per cent stake. The management team, led by Mr Les Ashford, chief executive of Hanson Industrial Services (HIS), and Mr Neil Wilkinson, finance director of an HIS subsidiary, is investing £400,000 for 20 per cent. The balance of the payment will be met by Bank of Scotland and UBS, providing senior debt of £47.5m, and Intermediate Capital Group, with mezzanine debt of £8m.

Mercedes-Benz plans expansion outside Germany

By David Waller in Frankfurt

Mercedes-Benz, the automobile subsidiary of the Daimler-Benz group, is to increase commercial vehicle production outside Germany.

The expansion will concentrate on the south American market as well as China and Indonesia, according to Mr Bernd Gottschalk, the Mercedes-Benz board director responsible for truck production, in an interview with a German newspaper.

The plan is consistent with Mercedes' decision to shift production of passenger vehicles out of the high-cost German manufacturing environment but, according to Mr Gottschalk, the purpose of the expansion is to take advantage of new market opportunities and benefit from lower costs.

The share of foreign production of commercial vehicles has risen over recent decades to around 50 per cent in 1993, in stark contrast with Mercedes passenger cars, all built in Germany. This is set to change following Mercedes' decision earlier this year to build a car factory in Alabama, but this month Daimler stepped back from further foreign production when it decided to locate production of a planned small car in Germany rather than abroad.

Mr Gottschalk said that Mercedes planned to start selling light commercial vehicles, in south America. The group planned to invest about $100m in new production capacity in Argentina.

The new factory will be used to assemble 15,000 to 20,000 new T1N trucks each year to be sold throughout South American, operating in tandem with the group's main production site for light commercial vehicles at Düsseldorf in Germany. The T1N will come to the market in early 1995.

The executive said the group intended to strengthen its presence in China, where it already plans two joint ventures to manufacture buses and is in talks with a local manufacturer over a joint venture to build engines. This could lead to production of medium-weight commercial vehicles in China, he added.

Mr Gottschalk, who mentioned plans for increased production in Indonesia as well, insisted that the expansion abroad would not be at the expense of manufacturing in Germany. He said the future of domestic plants was not black, so long as restructuring plans were implemented effectively.

He said that commercial vehicle turnover would drop this year by about 5 per cent from DM26.9bn in 1992, while unit sales would fall 7 per cent to 255,000.

Samsung engages in a higher quality revolution

John Burton reports on the results of the strict regime introduced at the South Korean conglomerate

It is being called Chairman Lee Kun-hee's cultural revolution at Samsung, South Korea's oldest and largest conglomerate.

Instead of little red books, there are Chairman Lee's videotapes, which engage in masochistic corporate self-criticism. The message is that Samsung is in danger of becoming a second-rate international business unless the group rapidly shifts its focus from quantity to quality and overhauls its cumbersome bureaucracy.

Samsung and other South Korean conglomerates, or chaebol, have become fixated on market share and sales volume at the expense of high-quality goods that can compete in advanced industrial markets, according to Mr Lee.

Not only is Samsung in danger of losing global sales as rising labour costs rob it of price competitiveness, but it also faces the threat of better products in its home market as Korea dismantles its trade barriers, particularly against Japanese goods.

The harsh message was prompted by the chairman's visit to the US last year. Retailers told him that Samsung consumer electronics, one of the group's main areas, suffered a poor image because of high defect rates.

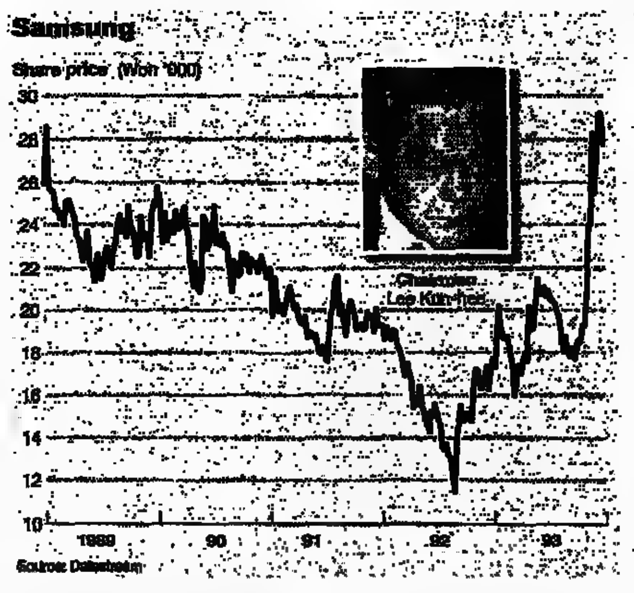
To underscore the sense of urgency, the 51-year-old son of the group's late founder has introduced radical western management practices this year at Samsung, which previously was considered the Korean chaebol most influenced by Japanese corporate culture.

"We are trying to create the psychological atmosphere for change, and break down the hierarchical mind-set to improve efficiency," said Mr Hwang Young-key, the executive director for personnel. "We are willing to sacrifice sales and profits for quality improvement."

Foreign analysts believe weaning Korean groups away from their empire-building will not be easy. But Ms Nicola Gwynne-Howell of Baring Securities in London is confident that Samsung is proceeding in the right direction. "They're global leaders in a lot of the technologies they are in, such as semi-conductors," she says. Although Samsung's corporate programme still has some way to go, "the ingredients are right".

As part of its new and more focused approach, Samsung's 180,000 employees work a shorter and earlier schedule – from 7am to 4pm – to encourage them to be more productive. "We are telling them with this measure that the group is changing, so you should change too in your work habits," explains Mr Hwang.

Senior executives must spend four days out of their six-day week at factories, meeting suppliers and customers instead of remaining behind their desks. Tape recorders have replaced written records at meetings to reduce paperwork. Workers are encouraged to stop the assembly line whenever they spot a production defect and fix the problem.



It is too early to say whether these management practices are cosmetic or will have a significant effect on Samsung's performance, although most analysts believe that Mr Lee has identified a serious fault that underlies the corporate strategy of all chaebol.

Perhaps more crucial for the future of Samsung, which estimates 1993 sales at Won50,000bn ($61bn), is a restructuring of its 48 companies, which range from electronics to construction to petrochemicals.

There is a growing awareness at Samsung and the other chaebol that rampant diversification is hindering their global competitiveness. The groups need to concentrate on a few core industries to achieve success abroad.

"We have been covering so many industries, from light and heavy manufacturing to the service sector, that we didn't know where to place the emphasis," said Mr Lim Dong-sung, president of the Samsung Economic Research Institute.

A first step to slimming down the group was taken in June when Samsung announced that it was selling or merging most of its peripheral light industry and service companies, reducing the number of subsidiaries to 34. They include two of Samsung's original businesses, food and textiles, with other members of the Lee family members acquiring some of them.

The future focus of Samsung will be on high-tech and heavy industrial companies, supported by an expanding financial-services business, including Korea's leading insurance company.

The goal is to develop other world-class companies to match the success of Samsung Electronics, which accounts for 16 per cent of group sales and is the world's leading manufacturer of memory chips.

This may prove difficult since some of Samsung's other main businesses have encountered recent problems. Samsung Engineering & Construction was punished by the government earlier this year after it was blamed for building faults that caused one of the nation's worst railway accidents. Samsung General Chemicals, its petrochemical business, is losing money due to production overcapacity in this sector.

One possible growth candidate is Samsung Heavy Industries (SHI), which is expected to be listed shortly. The company is one of Korea's leading manufacturers of ships, construction equipment and machinery.

But SHI's ambitions are controversial, since it wants to expand into car production, which would cost at least $2bn in initial investments.

Some analysts warn the move is risky because Korea could face a production glut in the next few years as the country's five existing car manufacturers expand capacity.

Those doubts are shared by some Samsung officials. "When we can't even make a television properly, how can we make a good car?" asked one executive.

The government also has its reservations. It recently blocked what was suspected to be a takeover bid by Samsung for Kia Motors, the country's second biggest motor company.

Samsung has also shown interest in the aerospace sector. Samsung Aerospace Industries is the country's largest aircraft manufacturer with its licensed production of the F-16 fighter jet for the Korean Air Force.

It is now planning to move into the civilian aviation business. It recently agreed with Aviation Industries of China to develop a mid-size commuter aircraft and may start a domestic carrier to create a market for the airliners.

Samsung's move to higher value-added industries, such as cars and aerospace, is understandable. But the strategy carries with it the risk that it may only encourage further expansion when the group needs to focus its energies on a few selected businesses. Whether Samsung can achieve balanced growth may prove to be the true test of Chairman Lee's management reforms.

German brewery invests in Bulgarian group

By Theodor Troev in Sofia

Brau und Brunnen, the German brewery, is paying DM4.112m ($2.42m) for a 67 per cent stake in Kamenitza, one of Bulgaria's leading breweries, in the first substantial foreign investment in Bulgaria's brewing sector.

Up to 20 per cent of the shares have been offered to employees in compliance with Bulgaria's privatisation laws.

Under the contract, the Dortmund-based holding company has to make an additional investment of at least DM3.8m within two years.

The company will continue to manufacture and market the Kamenitza brand for the next three years at least, and will start producing Schultheiss beer under licence for the domestic market and export.

The brewery's current annual production of 33m litres will be doubled in two years.

Mr Michael Brenscheldt, Brau und Brunnen's executive director, said the acquisition was another step in the group's long-term strategy.

Occidental wins price violation ruling

By George Graham in Washington

Occidental Petroleum has won a $1bn ruling from the Federal Energy Regulatory Commission (FERC) over charges of price control violations dating back to the late 1970s.

In a decision issued this week the FERC, an independent commission within the US Department of Energy, reversed an earlier judicial decision that would have required Oxy USA, Occidental's subsidiary, to pay $261.4m plus interest for alleged violations of government pricing rules between 1979 and 1981.

A separate proceeding brought by the Department of Energy last year alleging that the same crude oil transactions violated other regulations is still pending. That case would also involve close to $1bn in principal and interest.

Occidental agreed in 1989 to pay the government $205m to settle its claims, which already totalled more than $700m in penalties and accumulated interest, but the Department of Energy later decided to move to litigation.

The case involves deals which the Energy Department calls reciprocal crude oil transactions and Occidental terms tier trades, in which Cities Service Oil and Gas, now Oxy USA, provided crude oil subject to government price controls to a reseller, in exchange for crude that was exempt from the controls.

Occidental's is believed to be the largest case left from the era of oil price controls, imposed in response to the Arab oil embargo in 1973 and in place until 1981. A temporary emergency court of appeals set up to decide price control suits was not dissolved until earlier this year.

Timken to take $48m charge as jobs go

By Andrew Baxter

Timken, the US manufacturer of bearings and alloy steels, is to take a special $48m charge against pre-tax earnings to cover an accelerated productivity improvement programme that could cost 2,200 jobs over the next few years.

The Ohio-based company said the charge would reduce fourth-quarter net income by $1.13 a share.

Excluding the charge, Timken expects positive operating income for the fourth quarter and the year – for the first nine months of 1993, it had operating income of $12.3m on sales of $1.3bn. A $254m accounting adjustment produced a net loss of $242m or $7.90 a share for the first nine months.

Mr Joseph Toot, president and chief executive, said the company needed to quicken the pace of its achievements in international competitiveness and increase its ability to gain more business.

At current operating levels the accelerated programme would reduce Timken's worldwide workforce of 16,000 by 2,200. The charge reflects costs of about 900 lay-offs worldwide, with the rest achieved through retirements, attrition and cutting part-time employment.

Already this year, Timken has announced the closure by mid-1994 of its bearing plant at Daventry in the UK. Its operations are being consolidated into the nearby factory at Duston.

This week's announcement comes six months after Timken said it was resuming work on its new $120m plant in Asheboro, North Carolina. But a planned sister plant at Ueberherrn, Germany, which had also been postponed in 1992, remains shelved.

INTERNATIONAL CAPITAL MARKETS

GOVERNMENT AND INTERNATIONAL BONDS

Bundesbank sells further DM4.2bn of 30-year issue

By David Waller in Frankfurt, Patrick Harverson in New York and Tracy Corrigan and Sara Webb in London

The Bundesbank provided the main focus of attention in the European government bond markets yesterday with the sale of the new 30-year German government bond issue.

The central bank sold a further DM4.20bn of the 6.25 per cent. 30-year bond yesterday at a weighted average price of 99.71, giving an average yield of 6.27 per cent.

The size of the issue will be DM10bn, consisting of yesterday's tender tranche combined with DM3bn allocated to the Bundesbank's bond-issuing consortium and the DM2.79bn to be used for market operations.

The bund market rallied yesterday, but the 30-year area underperformed with the 30-year yield spread over the 10-year bund widening from 66 to 69 basis points.

The German central bank intends to make use of the 30-year maturity on a regular basis, expanding the range of government securities on offer to investors eager to have the option of investing at a range of maturities along the yield curve.

The increased flexibility is likely to reduce the government's borrowing costs and enhance the attractions of Finanzplatz Deutschland – Germany as a financial centre.

Traders expect demand for the new issue to come chiefly from foreign investors who are more optimistic about further cuts in German interest rates than domestic institutions.

■ US Treasury prices eased slightly at both ends of the market yesterday morning as more news of a strengthening economy continued to put bonds under selling pressure.

By midday the benchmark 30-year government issue was down ⅛ at 100$\frac{1}{32}$, yielding 6.240 per cent. At the short end of the market, the two-year note was down $\frac{1}{32}$ at 100$\frac{5}{32}$, to carry a yield of 4.184 per cent.

The latest economic data to unsettle the market was a 0.5 per cent increase in the November leading indicators, and a 2.9 per cent increase in November existing home sales. Although the numbers did not come in that far over analysts' expectations, they were the latest in a line of statistics suggesting the economy is growing at a healthy rate.

Analysts said the market would probably stay in a tight trading range into the New Year, and investors would hold their fire to see if the economy sustained its pace.

■ UK government bonds opened on a firm note after the Christmas break, with dealers noting some buying interest as hopes of a cut in the base rate continued to sustain the gilt market. The Liffe long gilt futures contract touched a high of 120.20, but drifted lower later in the day to trade at around 120.10 by late afternoon.

■ The Spanish government bond market shrugged off the financial crisis facing Banesto, Spain's fourth largest bank, in spite of some concern over the impact on the Spanish banking system.

Prices ended virtually unchanged, and the news is not expected to have an impact on today's Treasury auction of three, five and 10-year debt.

■ Eurobond activity has virtually ground to a halt, and is expected to remain extremely thin until the new year. Only a handful of new issues emerged yesterday.

In the French market, Société Générale launched two FFr800m offerings.

One deal was a further tranche of a FFr2.2bn issue of 5¼ per cent bonds due January 1996. The other, using a more complicated structure, pays a fixed coupon of 7 per cent for the first six months, and then a floating rate of interest for the rest of its 10-year life.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Nissan Intl.Finance(Neths.)‡	100	(a)	100.46	Jan.1998	undisclosed	-	Fuji Intl. Finance
FRENCH FRANCS							
Soc. Gén. Acceptance‡	800	(b)	99.50R	Apr.2004	0.50R	-	Société Générale
Société Générale(c)	800	5.25	99.94R	Jan.1996	0.1875R	+28 (5¾-96)	Société Générale

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon: 3-month Pibor flat. Short 1st coupon. b) Coupon: 7% fixed for 1st 6 months and 14.25% - 1.85 x 3-month Pibor thereafter. c) Issue launched on 23/12/93 was increased to FFr3bn.

NEWS DIGEST

Salomon in first Taiwan index launch

Salomon Inc has launched the first index call warrants on Taiwan, with the issue of 3.5m of the derivatives denominated in US dollars, writes Louise Lucas in Hong Kong.

The issue comes on the heels of similar instruments from Salomon on Korea, Malaysia and Thailand plus a five-country basket covering the bulk of south-east Asia.

The initial issue price is US$4.60, and the exercise period is from January 24 1994 through to December 22 the following year.

● The Polish government was considering issuing up to 45,000bn zlotys ($2.1bn) worth of long-term bonds to help finance the 1994 budget deficit, Mr Marek Borowski, the finance minister, said, Reuter reports from Warsaw.

Mr Borowski said the bonds, to be offered mainly abroad, were not included in the budget plan which was finally accepted by the government last Monday.

He said the terms of the possible bond issue had yet to be determined. He declined to specify in which currencies the bonds were likely to be issued or other details.

He also said the government might consider offering convertible bonds, which would entitle holders to chunks of privatised state-owned enterprises, but such a move would require a new law from parliament.

● KOI, Turkey's privatisation agency, awarded a consortium led by Chase Manhattan Bank the mandate to arrange the privatisation of Tupras Turkiye Petrol Rafinerileri and Petrol Ofisi, two Turkish petroleum companies, Reuter reports from Ankara.

Banks revive appetite for assets

Aggressive loan pricing set new standards in 1993, writes Sara Webb

In the international syndicated loans market, 1993 will go down as the year when the pricing on loans at last headed lower, reversing the trend of the previous three years.

Syndicated deals from Reuters, the international news and information group, and Northern Foods, the UK dairy and food manufacturing company, attracted considerable attention in the market because of their aggressive pricing, and were seen by many as setting new standards for loan pricing.

The 1980s were a time of cheap and easy access to bank loans: banks fell over one another to lend money, and borrowers were able to command favourable and tight pricing on the loans.

However, the climate changed in late 1989 and early 1990. The pricing on loans started to edge up as the international capital adequacy requirements agreed by the Basle Committee forced international banks to adopt a more selective approach to lending.

Capital adequacy requirements were not the only worry for the banks. The combination of recession and a spate of corporate disasters including Polly Peck and the Maxwell empire prompted bankers to think more carefully about the creditworthiness of their customers, and should have made them more discriminating in their lending policy.

Now there are signs the recession is ending, and bankers are, once again, hungry for assets. As the supply of funds exceeds demand, many borrowers are finding that they can obtain more aggressive terms on their loans.

The question uppermost in some bankers' minds is whether pricing will fall further in 1994.

As one banker points out, the banks will have plenty of money to lend given the expectation that about 40 per cent of the loan book of banks in London is due to reach maturity in the next 18 months.

The initial signs that pricing had reached a peak and was starting to turn down came in mid-1992, but bankers said the real acid test was the Reuters deal in early 1993, followed by Northern Foods' loan – both borrowers regarded as top-class corporate names.

Reuters initially set out to borrow £100m, but the deal was heavily oversubscribed and it raised £160m through a five-year loan, paying a margin of 37.5 basis points over the London interbank offered rate (Libor). Participation fees were 8 basis points for £15m and 6 basis points for £10m.

"Bankers sucked their teeth at the time because the margin was under 40 basis points, but the fact is the deal was done and it has set the standard for UK corporates," said one syndicated loan specialist at a European bank.

Northern Foods signed a £150m five-year revolving credit in May, also paying a margin of 37.5 basis points over Libor.

Bankers point out that UK corporates had been borrowing at margins of around 50 basis points over Libor in 1992, edging down to 45 basis points in mid-1992 for good names. With Reuters and Northern Foods both borrowing at margins of 37.5 basis points, the question bankers now ask is how much further can the margin fall? "It's going to go down lower. The question is how low – can it get to 35 basis points?" says one UK banker.

The OECD figures paint a less cheerful picture of pricing for syndicated credits in the OECD area. In 1990, the average spread was 51 basis points, rising to 86 basis points in 1992 and 92 basis points for the first four months of 1993.

While conditions may have become more favourable for some borrowers in 1993, there is not much sign of a stampede to the international syndicated loans market.

The volume of international loans held pretty steady in 1993 with total signed loans amounting to $181.85bn, against $181.60bn in 1992, according to Euromoney Loanware.

While the first three-quarters of 1993 were as strong or stronger than the previous year, the final quarter saw a sharp drop in activity.

Bankers attribute this to the fact that some UK borrowers want to borrow money but would prefer to hold off until pricing comes down a few more basis points.

"My impression is that the loan market has been fairly vibrant. Some UK corporates are saying they will hold off until the New Year as there's definitely a few basis points to come off the pricing," says Mr Stan Hurn, head of banking syndicate at the Midland Bank group in London.

"The negative factors which have been affecting the syndicated loan market since mid-1990 continued to exert a strong influence during the first four months of 1993," according to the June 1993 OECD report Financial Market Trends.

"New capital demand continued to be limited by the protracted weakness of the world economy, a very low-level of internationally-financed merger and acquisition operations, and the availability of cost-effective and flexible financing for borrowers on the securities markets, including the rapidly expanding markets for medium-term notes or some domestic markets for private placements," it adds.

Many bankers see little prospect of activity picking up dramatically in 1994 given the attractions of alternative sources of funding such as the international bond markets and equity markets.

As western economies emerge from the difficult recessionary climate, borrowers may be more cautious about becoming heavily indebted again.

"In the UK, I can't see much new demand for next year – all the multi-option facilities' refinancings have been done, and UK corporates are not in a rush because they are coming out of recession slowly and gradually and are not going to be rushing out to build new factories or acquire other companies," says one banker.

TOP SYNDICATED LOAN ARRANGERS

Bank Name	1993* $bn	1993* Rank	1993* Issues	1992 $bn	1992 Rank	1992 Issues
National Westminster Bank	14.28	1	99	9.36	4	93
Barclays Bank	10.17	2	89	9.52	2	91
Citicorp	8.77	3	111	9.50	3	104
Deutsche Bank	7.35	4	51	2.74	15	43
Hongkong Bank/Midland Group	6.50	5	79	6.72	5	69
ABN-Amro Bank	6.21	6	74	6.27	6	78
Chemical Bank	6.17	7	82	3.27	11	56
Chase Manhattan Bank	5.89	8	84	3.99	7	66
JP Morgan & Co.	5.01	9	36	19.23	1	27
Union Bank of Switzerland	4.21	10	58	2.96	14	55
Total signed loans	181.85			181.60		

Signed loans only. Ranked by equal apportionment. *Year to date. Source: Euromoney Loanware

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/02	122.4100	-0.170	6.60	6.74	6.80
Belgium		9.000	03/03	118.0200	+0.660	6.55	6.63	6.80
Canada *		7.500	12/03	106.6500	-0.200	6.57	6.74	6.85
Denmark		8.000	05/03	113.2000	+0.360	6.10	6.24	6.36
France	BTAN	8.500	05/98	110.4600	+0.570	5.07	5.05	5.08
	OAT	6.750	10/03	[illegible]	+0.200	5.66	5.80	6.00
Germany		6.000	09/03	103.0700	+0.360	5.55	5.70	5.85
Italy		9.000	10/03	103.4500	-0.400	8.47†	8.66	9.25
Japan	No 119	4.600	06/99	111.4550	-0.030	2.43	2.49	2.92
	No 157	4.500	06/03	110.6500	-0.010	3.05	3.16	3.54
Netherlands		6.500	04/03	106.9000	+0.020	5.58	5.70	5.84
Spain		10.500	10/03	115.5000	-0.500	8.14	8.33	8.54
UK Gilts		9.750	01/95	114-22	+4/32	5.60	5.61	6.09
		8.000	06/03	113-19	+23/32	6.09	6.19	6.70
		9.000	10/08	124-21	+23/32	6.40	6.47	6.99
US Treasury *		5.750	08/03	100-15	+5/32	5.69	5.78	5.77
		6.250	08/23	100-03	-7/32	6.24	6.26	6.27
ECU (French Govt)		8.000	04/03	114.4000	+0.480	5.92	6.15	6.32

London closing. *New York mid-day. † Gross annual yield. Changes, except US & Canada, from Dec 23. Prices: US, UK in 32nds, others in decimal. Yields: Local market standard. Source: MMS International

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	130.72	130.82	+0.30	130.96	130.66	51,425	126,506
Jun	130.14	130.26	+0.30	130.36	130.12	197	8,046
Sep	129.36	129.46	+0.30	129.40	129.36	3	1

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
[illegible]	-	3.92	-	-	0.11	0.44
[illegible]	-	3.01	-	-	0.17	0.61
129	1.86	2.10	2.18	0.01	0.31	0.91
130	0.86	1.40	1.57	-	0.67	-
131	0.05	0.77	1.14	0.22	0.96	-
132	-	0.39	-	-	-	-

Est. vol. total, Calls 14,297 Puts 18,694. Previous day's open int., Calls 218,763 Puts 226,879.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.93	101.25	+0.32	101.29	100.89	31917	131809
Jun	101.14	101.19	+0.31	101.14	101.14	1	1173

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10100	0.76	1.16	0.63	0.96
10150	0.53	0.91	0.78	1.22
10200	0.35	0.71	1.10	1.52

Est. vol. total, Calls 3301 Puts 8238. Previous day's open int., Calls 199091 Puts 97846

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.40	103.59	0.19	103.59	103.40	1914	11429

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	118.15	118.50	+0.51	118.53	118.06	7891	79818
Jun		118.40	+0.51			0	165

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11850	1.71	2.76	1.71	2.86
11900	1.47	2.52	1.97	3.12
11950	1.25	2.30	2.25	3.40

Est. vol. total, Calls 61 Puts 590. Previous day's open int., Calls 36619 Puts 37866

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	104.73	105.12	+0.36	105.13	104.73	19,180	76,882
Jun	104.10	104.80	+0.36	105.10	105.10	24	7,495

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	120-30	121-05	+0-21	121-06	120-30	423	4281
Mar	119-28	120-11	+0-21	120-20	119-27	24411	102542
Jun		119-19	+0-20			0	69

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
120	1-28	1-61	1-06	2-23
121	0-60	1-33	1-38	2-59
122	0-39	1-09	2-17	3-35

Est. vol. total, Calls 1909 Puts 735. Previous day's open int., Calls 76758 Puts 39916

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	121.70	121.84	+0.24	121.98	121.70	63	12,050
Jun	-	97.50	-0.50	-	-	2	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	116-05	116-01	-0-02	116-10	115-28	118,785	281,043
Jun	115-04	114-30	-0-03	115-07	114-26	2,069	12,782
Sep	114-02	113-28	-0-08	114-02	113-28	238	16,551

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	117.69			117.77	117.68	376	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Dec 29	Day's change %	Fri Dec 24	Accrued interest	xd adj. ytd		Low coupon yield Dec 29	Dec 24	Yr. ago	Medium coupon yield Dec 29	Dec 24	Yr. ago	High coupon yield Dec 29	Dec 24	Yr. ago
1 Up to 5 years (25)	129.96	+0.08	130.06	1.75	11.55	5 yrs	5.57	5.61	7.12	5.78	5.83	7.46	5.87	5.92	7.69
2 5-15 years (22)	164.00	+0.47	163.22	2.16	12.65	15 yrs	6.25	6.32	8.16	6.37	6.45	8.55	6.57	6.64	8.62
3 Over 15 years (8)	192.46	+0.63	191.28	3.06	11.38	20 yrs	6.37	6.43	8.41	6.42	6.49	8.74	6.59	6.60	8.91
4 Irredeemables (6)	229.33	+0.60	228.96	1.15	14.71	Irred.†	6.53	6.57	8.81						
5 All stocks (61)	158.48	+0.39	157.85	2.17	12.32										

Index-linked	Wed Dec 29	Day's change %	Fri Dec 24	Accrued interest	xd adj. ytd		Inflation 5% Dec 29	Dec 24	Yr. ago	Inflation 10% Dec 29	Dec 24	Yr. ago
6 Up to 5 years (2)	191.01	+0.02	191.07	1.20	4.26	Up to 5 yrs	2.00	2.01	2.53	1.15	1.15	1.71
7 Over 5 years (11)	193.56	+0.56	192.49	0.69	5.24	Over 5 yrs	2.87	2.91	3.83	2.69	2.73	3.64
8 All stocks (13)	192.44	+0.50	191.49	0.74	5.12							

Debentures and Loans	Wed Dec 29	Day's change %	Fri Dec 24	Accrued interest	xd adj. ytd	5 year yield Dec 29	Dec 24	Yr. ago	15 year yield Dec 29	Dec 24	Yr. ago	25 year yield Dec 29	Dec 24	Yr. ago
9 Debs & Loans (65)	152.86	+0.47	152.14	2.32	11.16	7.11	7.18	8.88	7.47	7.51	9.82	7.61	7.64	10.01

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 29	Dec 24	Dec 23	Dec 22	Dec 21	Yr ago	High*	Low*
Govt. Secs. (UK)	107.56	107.19	107.02	106.65	106.98	94.09	107.56	93.28
Fixed Interest	131.49	131.46	131.27	131.14	131.18	109.46	131.49	108.67

* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 131.49 (29/12/93), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20
Gilt Edged bargains	36.8	78.5	70.1	93.1	102.4
5-day average	78.2	85.8	89.3	98.5	98.4

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

UK GILTS PRICES

[illegible]

Planting the seeds for future growth

Andrew Bolger reports on Hewden-Stuart, an avid exponent of 'bottom fishing'

The art of "bottom fishing" – snapping up competitors or their assets when prices are at a minimum – is more spoken about than practised.

One avid exponent, however, is Hewden-Stuart, the UK's biggest independent plant hire company.

The Glasgow-based group paid £11m in July for the Hireplant assets of BET, acquiring 24,000 items of plant and 29 freehold properties. By October, analysts were pleasantly surprised to learn that the previously lossmaking business was expected to make an immediate contribution to group profits.

Hewden-Stuart bought Hireplant, which usefully extends the group's existing network of depots, at a £3m discount to its already written-down net assets, and did so in time to take advantage of capital allowances. The shrewdness of the deal gives a clue as to how Hewden-Stuart has managed to come through the recession without recording a loss, although profits have slumped by two thirds from the £36m made in 1989.

Sir Matthew Goodwin, Hewden-Stuart's veteran chairman, says the group drew on its experience of previous recessions to navigate the recent downturn, but cautions that the national recovery is erratic and the "crazy" days of the late eighties are unlikely ever to return.

The group was certainly not unscathed by the crash. Hewden-Stuart had 70 per cent of all the tower cranes in London at the peak of the boom, and was the main supplier to Canary Wharf. It had hoped to transfer many of them to east Germany, but was caught out by the European recession.

However, for Sir Matthew recent experience has just confirmed what has long been his fundamental tenet: "The only thing that matters in any business is cashflow. This must be understood throughout the group."

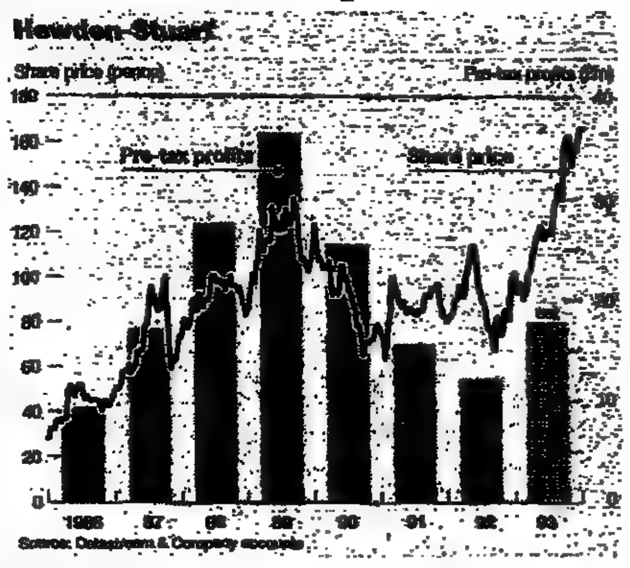
Using a conservative depreciation policy, Hewden-Stuart has maintained strong cashflow, even although pre-tax profits flagged, and can usually sell old equipment at a premium to its written-down value. The chairman says: "When looking at a depot, there was never any question of closure so long as it was generating cash."

A qualified chartered accountant, Sir Matthew, 64, has been chairman of the group since 1979 and an executive director since 1960. He says this cautious approach to finance is long-standing: "We would not buy anything unless we could finance 25 per cent of its purchase price in cash. That rule still applies."

Hewden-Stuart also steers clear of leasing and hire-purchase. Sir Matthew says: "Wherever possible we have bought our properties so that if we want to move out, we can sell up and move on."

October marked the 25th anniversary of Hewden-Stuart's flotation. Sir Matthew pointed out that any investors who joined in 1968 would by then have seen a thirty-fold increase in the capital value of their holding, an overall return few companies could emulate.

The group's pre-tax profits increased by 35 per cent to £9.1m in first half of the year, even though turnover rose only slightly. The chairman said the downward trend in profits experienced for the last three years was reversed in the early summer, but this was more a reflection of good husbandry than any real strengthening in the workload of customers. Hewden-Stuart has net cash balances, in spite of having spent £11m on Hireplant and a further £17m on new equipment in the first half, and investment in plant is continuing at a high rate.



Source: Datastream & Company accounts

The improvement in the hire division's profits reflected benefits from the heavy capital expenditure programme which had been carried through the recession, often at a cost which adversely affected profits at the time.

Sir Matthew said machines taken in part-exchange by the group's merchandising business now tended to be older than usual, with a shortage of modern second-hand equipment. "This supports the view that the condition and age of plant fleets generally has deteriorated and brings nearer the time when customers will seek quality and service, albeit at higher prices."

The group expects that construction companies will hesitate to buy plant in the face of an uncertain upturn, which should benefit hire businesses. The growing gap between the value of old plant and the cost of replacing it should also encourage hiring rather than purchase. Sir Matthew says this will be encouraged by the reduction in the number of finance companies prepared to fund the acquisition of equipment: "Many banks and leasing companies have said to me 'never again'."

Although even the group's much reduced tower cranes operation is expected to be back in the black by the end of the year, Sir Matthew sounds a cautious note about the speed of any upturn – emphasising that he has yet to see much sign of recovery in hire rates: "In the longer term the surplus of plant which still exists in this country will be eliminated and the demand for hire will increase, a process that hopefully will become apparent in 1994."

In spite of being deputy chairman of the Scottish Conservative party, Sir Matthew stands apart from some of the attitudes which have dominated the financial and commercial world in recent years. He has little time for blandishments of merchant bankers who continually offer their services to the group, and also eschews the more aggressive forms of City public relations.

He sees his group as a partnership between shareholders, management and employees – making no apology for what some described as a "parsimonious" recent dividend increase. He says: "In a recessionary period where salaries, wages and costs require to be carefully controlled, it would be inappropriate to do other than moderately increase the dividend."

Meanwhile, the employees at Hireplant have been getting to know their new boss. Sir Matthew said: "I spent three days going round the depots. I find it very useful to sit down and have a mug of tea with drivers, fitters and managers and discuss problems. They hadn't seen anyone from head office for years."

The former BET staff also discovered a habit of Sir Matthew's long familiar to Hewden-Stuart's depot managers: "I *always* go round the back the check what's in the junkyard."

Chas Letts turns over new leaf

By Catherine Milton

New diaries, as traditional at new year as broken resolutions, are turning over a new leaf at Charles Letts which will fund the development with £16m in equity finance from venture capital backers.

The private company, which claims 25 per cent of the UK's £70m diary market and estimates a 5 per cent share of diary sales in the western world, is examining whether users could do without standard features like conversion formulae and weights and measures.

A market research exercise will look at replacing these stalwarts with new items such as travel planning and time management – in full colour.

Helped by company doctor Mr Bill Gore, chief executive since June, Charles Letts has extricated itself from an unsuccessful 1980s diversification into lifestyle publishing, brassware and property.

Now claiming to be the world's only dedicated diary maker, Letts has secured the finance through a deal led by 3i with support from Morgan Grenfell Development Capital and Hambros Bank.

The new money will reduce debt of £17m to an annual peak of about £7m. In the year to January 31 1994 the company expects to return to the black with pre-tax profits of about £500,000 on sales of £27m, compared with losses of some £7m on sales of £29m.

Mr Gore declined to comment on prospects for a flotation, but said: "The deal brings in venture capital and it will seek an exit at some point."

£1.1m pay off for Tate director

By Tim Burt

Tate & Lyle, the sugar and sweeteners group, disclosed yesterday that it paid £1.1m in compensation to Mr Stephen Brown, its former chief executive, who left the company in March.

The compensation package – based on Mr Brown's three-year rolling contract on a basic salary of about £300,000 a year – was agreed after he failed to resolve differences over management style with Mr Neil Shaw, chairman.

As part of the payment, Mr Brown received £567,000 from Tate & Lyle and a further £515,000 from the group's subsidiaries.

The former chief executive is also understood to have received £285,000 from the disposal in July of a house in Kensington, west London.

Tate & Lyle had a 70 per cent stake in the property, while Mr Brown held the remainder.

According to the company's annual report, the house was sold for £950,000 just over a year after they purchased it jointly for £900,000.

The property disposal and compensation payment marked the end of what analysts described as an embarrassing period for Tate & Lyle.

Mr Shaw, who split the roles of chairman and chief executive in April 1992 to make way for Mr Brown, said it was clear after less than 12 months that their relationship "wasn't working".

Since the chief executive's departure, the group has been overseen by an executive committee comprising four divisional directors, the finance director and chairman.

The share price closed up 2p at 397p.

Shield makes acquisition

By David Blackwell

Shield Group, the holding company that owns Stickley Kent, the auctioneer and property insolvency specialist, has acquired Kamco Computer Systems, a leading maker of customised personal computers.

Mr Norman Mazure, the chairman who owns 30 per cent of Shield, said yesterday that the company paid less than £50,000 cash for Kamco, which is expected to report turnover this year of £4m.

Kamco, founded five years ago and based in Uxbridge, sells its products only through mail order and advertising. Mr Mazure said the mail order market for PCs was worth about £1.2bn a year in the UK and was shared between 600 companies. He believed Kamco to be about sixth or seventh biggest.

Shield intends to keep Kamco's existing management team, including Mr Zygi Kamasa, the founder and managing director, and Mr Gary Russell, operations director.

NEWS IN BRIEF

ARCADIAN INTNL: valid acceptances were received in respect of 34.4m new ordinary shares representing some 64.7 per cent of the 53.14m offered by way of rights at 35p per share.

CASKET has received valid applications in respect of 11.5m new ordinary shares (83.02 per cent) of its recent open offer. The remaining shares have been taken up by placees. Mr G Waldron, non-executive chairman, has taken up his entitlement and now has a beneficial interest in 1.29m shares (1.37 per cent of the shares in issue following the offer).

EUROMONEY has completed its purchase of Century House at a cost of £3.74m.

FIDELITY European Values has received applications for 4.82m offer units (45.47 per cent of the units available) in its recent placing. The balance will be issued to placees. In addition the company will issue new equity index linked stock.

GIBBON LYONS Group, through its wholly owned subsidiary Gibbon JCR, has acquired the outstanding 50 per cent holding in its associate, Gibbons Colorcentre (Bristol). Consideration, in cash, is profit related, to a maximum £500,000.

HARTSTONE GROUP has sold Melmart of London, its casualwear offshoot, to International Clothing Designs (Holdings) for £1m. Casualwear is not part of Hartstone's ongoing strategy.

LOGICA has acquired Fray Data International through its wholly owned Dutch subsidiary Logica BV, for Fl 275,000 (297,000). Fray Data is a software and consultancy company specialising in water-related technical automation.

PEX GROUP is to pass its preference dividend payment, the directors announced, because losses incurred in the first half of 1993 leave insufficient distributable reserves.

PROPERTY TRUST has acquired, subject to shareholders' approval, Auckland House, Gateshead, an industrial property of some 91,000 sq ft for £1.23m cash. Further property acquisitions are being sought and other investment opportunities are presently under consideration.

QUEENS MOAT Houses: Trustees of the 10.25 per cent first mortgage debenture stock 2020 and of the 12 per cent first mortgage stock 2013 have sent a circular to stockholders convening a meeting on January 10 to establish a steering committee to represent stockholders in negotiations with QMH. The proposal is supported by QMH. Stockholders representing 68.1 per cent of the stock have indicated they intend to vote in favour of establishing a committee.

RAGLAN PROPERTY Trust is to acquire a 150 year leasehold interest in Banbury's Castle Centre shopping precinct from Cherwell district council for £7m. Raglan will manage the entire centre and will be entitled to 39.5 per cent of total rents received from tenants in the Castle Centre.

REUTERS is acquiring Capital Markets Decisions in the US for cash and includes all CMD resources and technologies. The consideration and assets acquired are not material in the context of Reuters net assets.

SEP INDUSTRIAL Holdings has received valid applications in respect of 10.5m (58.86 per cent) of the shares available in its recent open offer. The remaining 7.38m shares will be taken up under the placing arrangements.

STIRLING GROUP is selling its wholly owned offshoot Stirling Brands, which makes ladies' lingerie, underwear and swimwear, to a consortium led by senior management for £2.3m in cash.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Finals- [illegible]

FUTURE DATES

Interims-
Cray Electronics .... Jan. 12
Investment Co .... Jan. 10
Wyko .... Jan. 13

Finals-
Greenwich Resources .... Jan. 6
[illegible] .... Feb. 8

COMPANY NEWS: UK

There was some corner of a foreign field . . .

David Blackwell explains why the Plantations sector of the FT share service is coming to an end

"Nearly everyone who owned shares in the UK used to hold shares in some funny rubber company," says Mr Edwin Hadsley-Chaplin, chairman of Rowe Evans Investments.

His company is now one of the few still listed under the Plantations sector of the FT London share service. From next Tuesday plantations will be found in a subsector under Other Services and Businesses, marking the end of an era for what used to be one of the most important parts of the London market, with its own FT correspondent.

The market capitalisation of all the plantations now is simply too small to make a separate index sector possible.

It was a very different story early in the century, when the plantation sector experienced explosive growth as demand from the motor industry took off. By 1942 the Official Guide for Investors in Rubber Shares, issued by Mincing Lane Tea and Rubber Share Brokers' Association, listed hundreds of individual plantation companies.

Among them was Bertam, still listed but now 35 per cent owned by Rowe Evans, and Sumatra Para Rubber Plantations, wholly owned by Rowe Evans. Both were registered in 1907.

In the same year the Rubber Growers' Association was formed in London, and became the main source of all technical expertise and commercial practice in the world rubber industry.

However, by the 1950s the number of companies was starting to dwindle. Only the London assets were reflected in the share price, not the value of the estates themselves, so that the companies were sitting ducks for a takeover.

In 1957 Malaysian independence started to accelerate the process. New economic policies emerged in the 1970s, as Malaysia sought greater control over its resources.

The big companies started to protect themselves. For example Sime Darby, the Malaysian conglomerate, put all its holdings into Consolidated Plantations, with a listing in Malaysia and a secondary listing in London.

However, plans are afoot to take it back into the main group, which would take another company off the London list.

Other companies amalgamated to keep the predators at bay, among them the plantations that went to form Highlands & Lowlands under Mr Thomas Barlow. Highlands is also still listed in Malaysia with a secondary London listing, as is Kuala Lumpur Kepong.

Mr Hadsley-Chaplin sums up the process as threefold – cheap acquisitions, amalgamation and Malaysianisation. He attributes his own company's survival to "various quirks," among which he lists its relatively small size.

The company was founded in 1870 by Mathew Pennyfather Evans who had tea interests in Ceylon. By the time Mr Hadsley-Chaplin joined in 1947 it was a secretarial and agency company, operating like a partnership. Gradually a portfolio of shares was built in the companies it was acting for, so that the company became bigger as an investment and estate holding company. It was turned into a listed company about 10 years ago.

Rowe Evans is now operating plantations in Indonesia and investing in Malaysia and Australia.

Bertam not only operates plantations, but has branched into property development in Malaysia and investment in Indonesia.

The only completely new plantation company to come to the market in recent times has been Anglo-Eastern, which was floated in 1985 in order to raise money to finance its 6,000-hectare Tasik plantation in Indonesia. However, Chillington, the conglomerate with interests in plantations, has sold most of its 49.2 per cent stake to Genton of Hong Kong, further illustrating the drift away from London.

Anglo's history reflects the age-old problem with plantation investment – the long lead time before crops start to produce cash. The initial investment is also high. Tasik alone has 250 miles of roads.

Nevertheless, Mr Rollo Barnes, Anglo's executive director, says his company is thinking of developing another plantation. But it will think carefully about how to do it without pulling the current operation down.

"The average institutional investor does not want to know as there is no return for nine years," he says. But he believes the pension funds should be interested. "They should take a longer term view."

Tapping rubber: Malaysia now has greater control over its resources

Tasik mainly produces palm oil, which is very price volatile, ranging between $1,000 a tonne in 1984 and $200 in 1986. However, an investment is as well underwritten as it ever was by the value of the land. The estate cost $20m, complete with crushing mill, equivalent to $3,000 a hectare, but Mr Barnes believes it could be sold for between $5,000 and $6,000 a hectare.

Other UK companies with strong interests in palm oil and other commodities include Harrisons & Crosfield and REA Holdings, whose initials denote its origins in a rubber estate agency early this century. It is now listed under Business Services.

Last year REA started a 12-year project to create a palm oil plantation of 50,000 hectares (or 150 sq miles) but is aiming to raise the £10m that will be needed in three or four years time in Jakarta.

Harrisons & Crosfield, first registered in 1906 as a rubber company and now listed under Conglomerates, sold its 30 per cent stake in Golden Hope, another Malaysian company with a secondary London listing, in 1989, but has retained extensive interests in Indonesia and Papua New Guinea.

Williamson Tea Holdings is an unusual survivor and remains very much the old type of family plantation company. Although it has only been listed since 1964 it dates back to 1868, when it was founded by the great grandfather of Mr Philip Magor, the managing director.

From next week the company will be found under Food Manufacturers, where Unilever, owner of Brooke Bond and many plantations, and James Finlay, another large tea grower are already listed.

However, Williamson claims to be the biggest private sector company in the world devoted to tea production, with 34,000 hectares under plantation – far more than Unilever.

Mr Magor points out that after the war the end of colonialism and the rise of nationalism naturally led to a decline in UK investment in the sector. Williamson decided to stick to its business, however, and has made sure it has good and prosperous partners, particularly in India, to ensure its interests are well looked after.

The group, 62 per cent held by George Williamson Holdings, has always been prudently managed, Mr Magor says. "We have never been great borrowers, and we have maintained development from retained profits."

He agrees with Mr Barnes that plantations are long-term propositions for investors. "Sometimes we do very well – but it's occasional. We might have one really good year in 10."

The UK's continued high consumption of tea has has ensured a strong British interest remains in the industry. Mr Magor estimates that Williamson, Unilever, James Finlay and Camellia (listed under Other Financial) account for 8 to 10 per cent of the world's tea production.

Williamson this month completed moving two thirds of its staff to Newbury, Berkshire, again reflecting the retreat from the City, although the group is maintaining a London office.

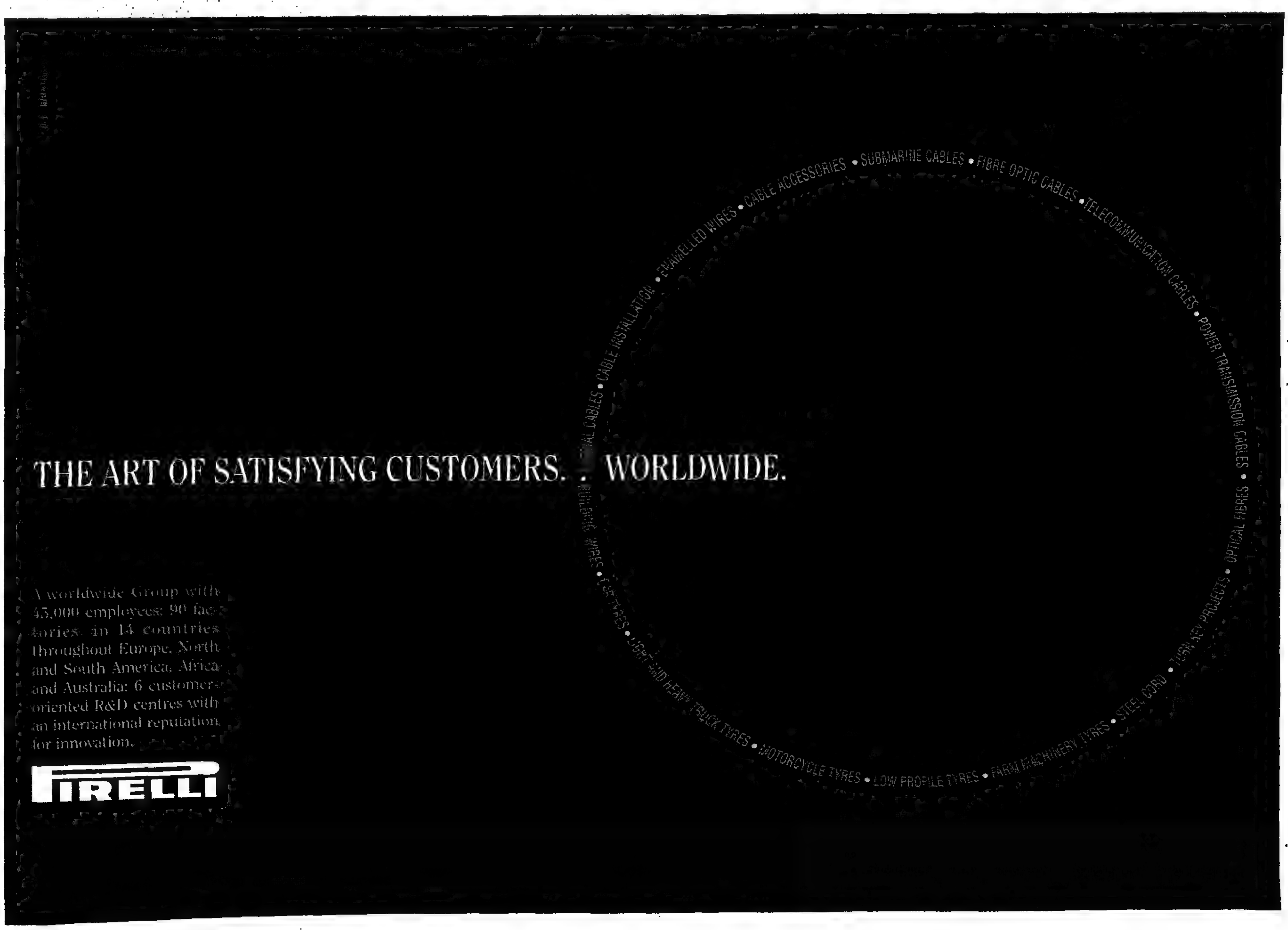
The London tea auction four years ago lost its own room at Sir John Lyon House in High Timber Street, where Williamson had its head office. The auction is now held at the London Chamber of Commerce.

Meanwhile, the Tropical Growers Association, formerly the Rubber Growers Association, can no longer afford to remain in its Dickensian offices above a Chinese restaurant in Artillery Row, near Liverpool Street station.

It still has 200 members in 20 countries controlling or managing 800,000 hectares and producing 2.26m tonnes of commodities annually – rubber, palm oil, coconut, cocoa, banana, coffee, tea and pepper. But the subscription income has fallen from £67,806 in 1990 to £54,600 last year, and it will probably move out of the City to cheaper premises in Barking, Essex, next year.

While its removal could well mark the end of an era, there is no doubt that the UK still has a useful interest in plantations. Mr Hadsley-Chaplin, a former chairman of the association, says: "It is an extremely sophisticated industry now. I don't think that is appreciated by UK institutional investors.

"But the basic seat is no longer London, which has lost out and lost interest."



Pressure builds for oil cuts as prices test fresh lows

By Robert Corzine

Oil prices tested new five-year lows yesterday as efforts intensified to orchestrate a worldwide production cut by the main producing countries, including those outside the Organisation of Petroleum Exporting Countries.

The price of the benchmark Brent blend for February fell 39 cents in early trading in London yesterday to $13.25, its lowest level since November 1988. The price began the year at about $20 a barrel.

The latest falls followed visits to the UK and Norway by Mr Said bin Ahmed al-Shanfari, the Omani oil minister. Oman is not a member of Opec, but it was among the six members of the Gulf Co-operation Council that last week called for production cuts to be shared among Opec and independent producers.

Mr al-Shanfari is reported to be seeking agreement from the main oil producing countries for a 1m-1.3m barrels a day cut to prop up prices.

On Tuesday he met Mr Tim Eggar, UK energy minister. World production levels were discussed, but Mr Eggar reminded the Omani emissary that UK oil output was decided by private sector companies.

In Oslo Mr Jens Stoltenberg, the Norwegian industry and energy minister, said: "Under the present circumstances we will not undertake any measures to restrain our production. Opec is the cartel and Opec has the main responsibility for exercising production restraints".

Some small independent producers, such as Egypt, say they will abide by output cuts. But analysts believe their participation in such a scheme would probably be symbolic at best.

They say Opec needs to secure the co-operation of large independent producers, including Russia, which Mr al-Shanfari is also expected to visit, to make such a plan credible to international oil markets.

Scots seek to avoid another cereals overshoot

By Alison Maitland

Scottish farmers' leaders will meet next month to find a way of avoiding another costly overshoot of the annual cereal production target they have to meet under the reform of the common agricultural policy.

European Community farm ministers agreed earlier this month to water down penalties for this year's overshoot, which the National Farmers' Union of Scotland said would have cost the industry £20m.

"We're very relieved this threat has been lifted," said Mr David Jack, chairman of the union's cereals committee. "It would have decimated Scottish cereals production."

The problem arose over a discrepancy between the "base area" used by the British government to calculate what Scotland's cereal output should be and the actual arable area for which farmers claimed compensation from Brussels for cuts in support prices.

The latter exceeded the former by 5.4 per cent, and the European Commission was set to cut their payments this year by the equivalent – £4.5m – and to require them to leave an extra 5.4 per cent of land idle next year without compensation, in addition to the 15 per cent set-aside for which they are paid.

The compromise put forward by the Commission, along the lines of offers made to farmers facing penalties in Germany and Spain, would leave Scottish arable farmers only about £2m short, according the union. Under the compromise, they face a penalty of 0.54 per cent in payments and set-aside for the first year, instead of 5.4 per cent.

The penalties will gradually increase if the base area is exceeded in coming years.

Mr Jack said the union still had doubts about the Scottish Office's base area, which was calculated using census figures. However, he said the meeting of the cereals committee on January 19 would review the whole scheme.

Co-ops take the high road to marketing success

Scottish farmers are increasingly turning to collaboration, writes Alison Maitland

Ten years ago a handful of trout farmers in south-west Scotland decided to join forces to market their produce through a co-operative.

It proved a runaway success. Today Scot Trout processes 3,000 tonnes of farmed trout a year, representing 80 per cent of the Scottish market and 20 per cent of the UK market. Its annual turnover is £12.5m.

Initially selling trout straight from the farm to the market, it has moved into gutting and filleting and is investing £1.6m in better processing facilities over the next three years. "We're now looking at what we can put back on the fish by stuffing it, enrobing it or turning it into goujons," says Mr David Hogg, chief executive.

Scot Trout is one of the most prominent of the farmer-owned co-operatives that have become flagships of the Scottish food industry and the envy of farmers' leaders south of the border, where collaborative ventures have a more chequered history.

Faced with the possibility of reduced subsidies for European producers, Scottish farmers are increasingly turning to collaboration to give them muscle in a fiercely competitive market-place.

Mr Maitland Mackie, a farmer near Aberdeen, produces about 10,000 pigs a year. "I market, as I believe everybody should do, through a producer group which collects similar type pigs for the best market for that type of pig," he says.

As with farmed trout, about 80 per cent of Scottish pig production is sold through co-operatives, a level comparable with some sectors in France or the Netherlands, agricultural exporting countries for whom co-operatives are the norm. Scottish co-operatives handle over 50 per cent of vegetable output, nearly half of cereal production and 30 per cent of farm supplies, but less than 10 per cent of cattle and sheep from hill farms.

The farming co-operative has a long tradition in Scotland. The oldest, Tarff Valley, which still supplies the industry with feeds and fertilisers, was set up in 1903.

"Farmers are better at co-operating in Scotland," says Mr Alastair Alexander, marketing director for the Scottish National Farmers' Union. "Needs must. We're far from the markets and our land and climate are pretty tough."

The country's 100 or so co-operatives are grouped under the umbrella of the Scottish Agricultural Organisation Society, which lobbies on their behalf and offers advice on how to improve sales. Collective turnover amounts to some £500m, equivalent to about a third of Scottish farm output. Nearly half its funds are provided by the government, the rest by a levy on members and consultancy fees.

In England, the National Farmers' Union is looking for a way of encouraging domestic collaboration now the government has turned Food from Britain into a purely export promotion body. "SAOS is a very interesting example," says Mr David Evans, director general of the NFU. "Whether something like that would work in England is debatable."

While there are success stories in England, interference by farmers in the management of co-operatives has been partly blamed for the failure of some collaborative ventures.

Mr Edward Rainy Brown, chief executive of SAOS, says his organisation tries to overcome this by defining clearly the roles of board and management in nascent co-operatives and emphasising the farmer-directors' responsibility to the co-operative rather than to their individual farms.

Co-operatives can cover many aspects of farming. Machinery rings, where farmers pool their equipment and labour and hire it to each other, are becoming increasingly popular. The first started with 23 members in the Borders about five years ago and 2,000 farmers now belong to 12 rings across the country.

"The co-operatives provide a counter to the virtual dominance of the supply sector by large national groups," says Mr Rainy Brown.

Some co-operatives in different sectors are banding together to share administrative costs. In south-west Scotland, Tarff Valley is working with a machinery ring, a lamb marketing venture and a co-operative offering farm secretarial services.

This trend should help co-operatives keep an eye on the wider scene, says Mr David Douglas, agricultural manager for Clydesdale Bank. "There's a real danger that co-operatives could compete against co-operatives and that's going to take away from the original aims," he argues.

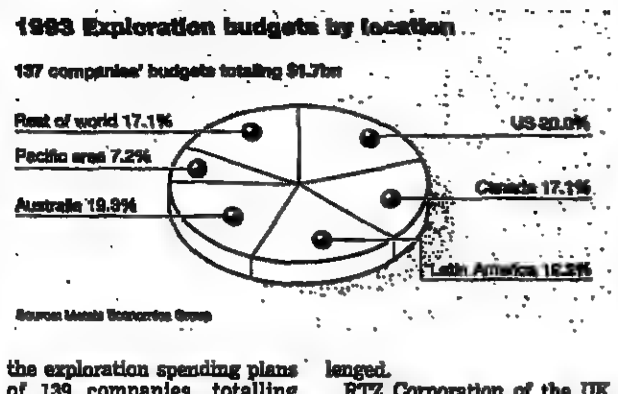
The most successful co-operatives have, however, been able to wring advantages for their members from the powerful retail sector.

ANM Group, the largest agricultural co-operative with 8,000 members, recently agreed that its Aberdeen Meat Marketing subsidiary would supply Wm Low, the Scottish supermarket group, with 60 per cent of its red meat requirements for the next 12 months. "It's unique," says Mr Brian Pack, ANM Group's chief executive. "It's usually done on a week-to-week basis."

Mr Donald MacRae, agricultural specialist at TSB bank in Edinburgh, believes ANM points the way to the future. "SAOS should be encouraging the big co-operatives to be bigger," he says. "We need a concentration on the farming side to match the power of the processors and retailers. A strong buyer demands a strong seller."

Metal hunters turn to S America

By Kenneth Gooding, Mining Correspondent



Mining companies increasingly are switching their worldwide exploration efforts towards Latin America. But the US still takes the biggest share of exploration spending by the major companies, according to the Canadian consultants, Metals Economics Group.

Budgets of the 137 companies reviewed total US$1.7bn. Of this, $345m is directed to the US. Australia gets $333m, Latin America $331m, Canada $295m and the Pacific area $124m.

MEG points out that Canada has dropped from first place in terms of exploration activity in 1989 to fourth this year.

Latin American countries receiving the most exploration attention this year are Chile, with about 40 per cent of the total for the region; Mexico, about 20 per cent; and Brazil, about 19 per cent.

The percentage of expenditure directed to gold targets has been falling steadily in recent years, according to MEG, while base metals-related spending has been rising after a very low level of activity in the mid-1980s. In this case the consultants reviewed the exploration spending plans of 139 companies, totalling US$1.9bn, and found $925m (48.7 per cent of the total) being spent on gold this year compared with $839m or 52 per cent in 1992 and $1bn or 56 per cent in 1991.

Base metals exploration expenditure this year is $669m or 35 per cent of the total, compared with 32 per cent of the reported spend in 1992.

More than half the spending directed at other mining targets is for diamond exploration. Some 29 big companies are involved in the search for diamonds, but the $111.7m budgetted for diamond exploration and research by De Beers of South Africa remains unchallenged.

RTZ Corporation of the UK, the world's biggest mining company, is also the biggest spender on exploration, MEG suggests. Including the budget for CRA, its 49 per cent-owned Australian associate, RTZ is spending $200m this year compared with De Beers $111.7m. The third largest corporate exploration budget, $71.8m, is attributed to BHP Minerals, part of the Australian resources group.

Corporate Exploration Strategies: a worldwide analysis: US$7,500 from Metals Economics Group, PO Box 2206, Halifax, Nova Scotia, B3J 3C4, Canada.

Cuba expects improved efficiency to yield bigger sugar harvest

By Canute James in Kingston, Jamaica

The Cuban government is forecasting sugar production from the 1993-94 harvest at "several hundred thousand tonnes" more than the 4.15m tonnes produced in the last harvest, which was 40 per cent down on 1991-92.

President Fidel Castro and Mr Nelson Torres, the sugar minister, told a session of the National Assembly in Havana that the expectations of a better performance were based on increased use of fertiliser and improved efficiency in the industry.

The forecast is more optimistic than that made in September when Mr Torres indicated modest government expectations for the current harvest. He said then that the harvest would end in April, earlier than normal, to allow the planting of more cane for future harvests.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1121.5-2.5	1139-40
Previous	1103-4	1122-2.5
High/low		1141/1130
AM Official	1114.5-5	1132.5-3
Kerb close		1137-8
Open int.	260,936	
Total daily turnover	32,283	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	976-8	1000-2
Previous	971-4	994-7
High/low		1005/995
AM Official	974-6	998-1000
Kerb close		1000-3
Open int.	2,621	
Total daily turnover	548	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	472.5-3.5	486-7
Previous	468.5-9	482.5-3
High/low		489/468
AM Official	473.5-4	487.5-8
Kerb close		488-9
Open int.	33,760	
Total daily turnover	4,576	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5325-35	5385-90
Previous	5270-5	5335-40
High/low		5420/5350
AM Official	5325-30	5385-90
Kerb close		5385-90
Open int.	49,488	
Total daily turnover	6,440	

■ TIN ($ per tonne)

	Cash	3 mths
Close	4805-10	4860-5
Previous	4805-10	4855-60
High/low		4870/4850
AM Official	4800-5	4855-60
Kerb close		4870-5
Open int.	15,998	
Total daily turnover	2,637	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	979-80	998.5-9
Previous	985-5.5	1002-2.5
High/low		1000/994
AM Official	978.5-9.5	996-7
Kerb close		998-9
Open int.	90,027	
Total daily turnover	22,922	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1799-800	1822-3
Previous	1776-7	1800-0.5
High/low	1799/1797.5	1826/1806
AM Official	1799.5-9	1822-2.5
Kerb close		1822-3
Open int.	214,052	
Total daily turnover	42,824	

■ LME AM Official £/$ rate: [illegible]
LME Closing £/$ rate 1.4810
Spot 1.4815 3 mths 1.4835 6 mths 1.4737 9 mths 1.4752

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Jan	82.50	+0.95	82.60	82.20	1,970	101
Feb	82.05	+0.75	82.70	82.45	1,190	31
Mar	82.90	+0.75	83.15	82.55	42,460	2,881
Apr	82.95	+0.75	-	-	720	-
May	83.20	+0.80	83.35	82.85	7,490	139
Jun	83.30	+1.00		-	323	2
Total					67,847	3,280

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz)	$ price	£ equiv
Close	386.50-386.90	
Opening	387.20-387.60	
Morning fix	385.05	256.331
Afternoon fix	388.10	257.910
Day's High	387.30-387.70	
Day's Low	384.10-384.50	
Previous close	386.50-387.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.26	6 months	2.79
2 months	2.60	12 months	2.82
3 months	2.73		

Silver Fix	p/troy oz.	US cts equiv.
Spot	342.30	510.00
3 months	343.60	512.90
6 months	347.60	516.95
1 year	355.25	526.00

Gold Coins	$ price	£ equiv
Krugerrand	389-392	258-261
Maple Leaf	399.05-400.00	-
New Sovereign	88-91	58-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	390.7	+3.1	388.3	388.3	70	138
Feb	387.8	+3.3	382.5	384.8	1	-
Apr	393.7	+3.3	394.3	386.5	90,424	8,382
Jun	395.6	+3.5	396.0	389.0	13,853	361
Aug	397.5	+3.4	398.0	392.1	22,541	100
Oct	399.6	+3.4	-	-	5,611	2
Total					160,847	9,882

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	391.1	+3.8	392.0	385.5	2,930	777
Apr	393.5	+4.2	394.5	387.5	15,541	1,001
Jul	394.8	+4.2	395.5	390.0	1,974	10
Oct	396.1	+4.5	392.0	390.0	219	-
Jan	397.5	+4.5	397.0	395.0	112	3
Total					20,576	1,800

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	124.25	-1.25	125.25	123.10	3,690	47
Jun	123.40	-1.10	123.50	122.80	734	3
Sep	122.90	-1.10	123.00	123.00	52	-
Dec	122.40	-1.10	-	-	55	-
Total					4,542	50

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	511.5	+3.5	510.0	510.0	284	325
Feb	513.0	+3.4	-	-	4	2
Mar	514.5	+3.5	518.0	509.0	3	-
May	517.5	+3.3	518.5	513.0	70,315	8,220
Jul	520.9	+3.3	522.0	515.0	9,388	281
Sep	524.3	+3.3	524.0	524.0	10,648	40
Total					114,864	9,864

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	14.29	+0.18	14.31	14.08	108,984	26,631
Mar	14.61	+0.16	14.62	14.37	64,632	16,750
Apr	14.88	+0.12	14.90	14.78	30,145	3,747
May	15.18	+0.10	15.19	15.08	37,133	2,847
Jun	15.44	+0.10	15.50	15.37	38,161	3,488
Jul	15.72	+0.11	15.73	15.60	17,497	849
Total					422,182	64,315

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	13.41	-0.23	13.42	13.23	87,919	14,730
Mar	13.62	-0.25	13.62	13.46	19,154	3,760
Apr	13.74	-0.30	13.83	13.67	10,676	[illegible]
May	13.86	-0.27	14.05	13.91	7,359	221
Jun	14.18	[illegible]	14.20	14.18	8,126	58
Jul	-	-	-	-	5,198	-
Total					N/A	N/A

■ HEATING OIL NYMEX (42,000 US galls, c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	44.50	+.62	44.55	43.65	21,430	23,970
Feb	44.65	+.68	44.70	44.00	40,603	20,181
Mar	44.50	+.56	44.55	44.10	33,444	7,985
Apr	44.35	+.58	44.35	44.00	21,457	2,241
May	44.20	+.73	44.20	43.90	25,607	872
Jun	44.25	+.63	44.35	44.00	16,359	1,430
Total					166,997	67,480

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	139.75	-1.25	140.00	138.50	27,899	7,613
Feb	140.75	-1.50	141.00	139.25	17,082	3,425
Mar	140.75	-2.00	141.25	140.00	15,985	1,317
Apr	140.75	-2.00	141.00	140.00	10,004	974
May	141.75	-2.75	141.75	141.25	6,800	347
Jun	142.25	-2.50	142.50	141.25	10,526	812
Total					N/A	N/A

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	2.032	+.030	2.130	1.950	-	-
Feb	2.045	-0.030	2.070	2.041	23,719	8,842
Mar	1.968	-0.025	1.990	1.960	17,867	2,119
Apr	1.941	-0.024	1.965	1.941	14,011	869
May	1.942	-0.033	1.965	1.945	5,298	1,476
Jun	1.945	-0.020	1.960	1.945	7,060	514
Total					120,819	16,826

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	38.95	-.71	39.00	38.40	12,058	14,708
Feb	40.05	+.34	40.25	39.45	40,329	15,084
Mar	41.50	+.21	41.70	40.90	30,952	3,122
Apr	45.10	+.20	45.20	44.30	20,242	2,100
May	45.30	+.15	45.90	45.20	27,187	1,845
Jun	46.35	-.4	46.50	45.65	7,730	630
Total					143,738	43,409

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	99.25	-0.05	99.40	99.00	498	154
Mar	100.25	-	100.35	100.25	2,114	25
May	101.55	+0.05	-	-	1,029	18
Jun	102.40	+0.05	-	-	727	5
Sep	89.75	-0.05	-	-	92	5
Nov	90.75	-	-	-	477	4
Total					5,031	192

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	376/6	+4/4	379/6	374/6	151,226	13,550
May	359/4	+3/4	359/4	357/0	34,175	2,600
Jul	348/6	+3/2	348/4	344/2	54,980	5,800
Sep	349/4	+4/0	351/0	349/4	6,036	315
Dec	357/0	+3/2	357/0	354/2	6,106	140
Jul	328/0	+1/0	-	-	-	-
Total					262,850	22,605

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	303/6	+1/6	304/0	300/0	738,915	95,760
May	306/6	+1/2	307/0	304/6	383,926	23,390
Jul	305/6	+1/0	306/0	304/0	281,126	15,760
Sep	287/0	+1/6	287/0	285/2	46,880	2,415
Dec	280/6	+0/4	270/0	268/2	165,330	8,455
Mar	275/2	+0/4	275/4	274/0	8,765	265
Total					1,632,006	146,136

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	103.75	+0.25	103.80	103.15	189	85
Mar	105.15	-0.25	105.30	105.30	691	11
May	107.00	-	-	-	293	-
Sep	92.65	-	-	-	40	-
Nov	94.75	-	-	-	92	-
Jan	97.00	-	-	-	-	-
Total					1,195	96

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	700/4	-0/2	702/4	698/4	50,995	70,530
Mar	708/0	-	710/4	706/6	361,790	121,485
May	711/4	-0/6	713/6	709/4	155,785	19,115
Jul	711/4	-1/2	714/2	710/2	139,520	18,255
Aug	705/2	-1/0	707/2	704/2	23,780	360
Sep	674/2	-0/6	674/4	673/4	13,750	520
Total					845,380	228,170

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	29.31	+0.15	29.43	29.05	11,051	5,304
Mar	29.26	+0.17	29.36	28.97	44,176	8,712
May	28.79	+0.14	28.88	28.57	17,072	2,227
Jul	28.25	+0.18	28.27	27.85	12,885	1,119
Aug	27.61	+0.12	27.65	27.39	4,755	289
Sep	26.80	+0.15	26.75	26.55	3,833	89
Total					98,205	18,081

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	203.6	+0.3	203.8	203.3	14,551	7,080
Mar	203.5	-0.3	204.0	203.4	37,127	8,493
May	204.1	-0.3	204.7	204.0	13,138	1,537
Jul	204.7	-0.4	205.2	204.6	11,076	1,519
Aug	203.8	-0.1	204.0	203.5	5,358	10
Sep	201.1	-0.4	201.8	201.0	2,439	115
Total					87,277	18,208

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	131.0	-	-	-	31	-
Apr	194.2	+0.5	194.5	194.0	1,709	19
May	120.3	+0.4	120.3	120.0	992	6
Jun	130.0	-	-	-	2	-
Nov	85.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Total					2,903	27

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	1243	-2	1245	1245	935	3
Feb	1250	-	-	-	91	-
Mar	1237	-3	-	-	-	-
Apr	1257	+7	-	-	777	-
Jul	1170	+5	-	-	225	-
Oct	1305	+6	-	-	181	-
Total					2,283	3

	Close	Prev
BFI	1228	1229

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	868	-18	885	865	9	25
Mar	917	-9	926	913	38,166	1,286
May	931	-10	940	927	13,940	742
Jul	941	-10	946	940	8,447	147
Sep	954	-8	965	952	18,117	130
Dec	960	-10	967	963	14,081	111
Total					128,360	2,768

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1162	-10	1173	1160	32,676	984
May	1186	-10	1192	1182	14,192	388
Jul	1208	-17	1222	1218	9,800	46
Sep	1224	-17	1235	1230	6,240	14
Dec	1270	-17	1271	1271	6,345	4
Mar	1296	-9	1295	1290	3,140	1
Total					67,476	1,388

■ COCOA (ICCO) (SDR's/tonne)

Dec. 28	Price	Prev. day
Daily	-	624.77
Dec. 29		
10 day average	-	668.38

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	1218	-1	1223	1212	4,194	1,492
Mar	1232	-1	1236	1230	18,606	1,024
May	1229	-	1236	1230	6,630	551
Jul	1227	+3	1228	1228	808	150
Sep	1227	+3	1229	1227	846	38
Nov	1222	+2	-	-	183	-
Total					27,888	3,280

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	74.90	-1.80	77.25	74.70	31,740	3,413
May	76.45	-1.80	78.00	76.35	9,211	678
Jul	77.70	-1.75	79.65	77.70	2,688	177
Sep	79.85	-1.75	80.65	79.00	1,728	122
Dec	80.85	-1.55	82.40	80.85	1,216	27
Mar	82.00	-1.35	83.75	82.35	610	39
Total					48,181	4,343

■ COFFEE (ICO) (US cents/pound)

Dec. 28	Price	Prev. day
Comp. daily	71.30	-
15 day average	71.87	-

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	10.99	+0.12	10.95	10.95	1,113	90
May	11.21	+0.06	11.20	11.17	646	85
Jul	11.42	+0.06	11.40	11.38	2,914	60
Oct	11.21	+0.06	-	-	45	-
Total					4,728	168

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	285.30	+2.80	286.00	284.00	7,380	138
May	285.30	+3.90	288.20	287.00	1,745	21
Aug	281.80	+2.60	281.80	281.50	1,463	22
Oct	281.30	+2.50	-	-	1,786	1
Dec	280.80	+1.70	-	-	79	-
Mar	281.30	+3.30	-	-	58	-
Total					12,482	181

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	10.78	+0.01	10.82	10.72	45,099	46102
May	10.95	+0.03	10.97	10.92	23,850	10807
Jul	10.95	+0.03	10.98	10.92	159594	277
Oct	10.92	-	10.95	10.79	139037	802
Mar	10.95	-	10.98	10.90	10913	351
May	10.93	-0.02	-	-	11	1
Total					90,466	8,461

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	67.75	+0.91	67.80	66.85	31,922	8,987
May	68.75	+0.35	68.80	67.75	1,093	5,760
Jul	69.00	+0.50	69.10	68.25	398	5,183
Oct	67.32	+0.22	67.40	66.90	52	955
Dec	65.93	+0.30	65.95	65.05	225	5,371
Mar	67.20	+0.15	68.00	68.40	-	46
Total					40,226	4,822

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	104.55	+0.30	105.30	102.70	3,985	1,085
Mar	107.85	+0.40	108.50	106.10	10,997	1,543
May	110.85	+0.35	111.60	109.25	3,997	205
Jul	113.50	+0.20	113.50	112.85	1,002	54
Sep	115.50	+0.20	114.00	114.00	851	-
Nov	117.50	+0.20	-	-	180	-
Total					20,231	2,885

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	72.925	+.350	73.150	72.600	31,848	4,026
Apr	75.025	+.275	75.250	74.800	17,797	1,587
Jun	73.575	+.425	73.700	73.150	14,451	848
Aug	72.825	+.375	72.850	72.150	8,949	745
Oct	72.700	+.375	72.750	72.350	3,865	183
Dec	73.400	+.380	73.450	73.080	672	21
Total					74,796	7,400

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	44.650	-	45.175	44.650	11,085	2,447
Apr	46.200	-0.025	46.350	46.000	5,401	795
Jun	52.075	-0.400	52.600	52.050	4,957	784
Jul	52.450	-0.225	52.750	52.350	1,869	326
Aug	51.375	-0.250	51.650	51.300	1,194	202
Oct	47.650	-0.100	48.050	47.600	818	148
Total					25,362	4,842

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	56.675	+.050	57.000	56.150	5,203	1,805
Mar	57.075	+.150	57.350	56.500	1,337	808
May	58.500	+.375	58.700	57.500	1,385	109
Jul	58.700	+.450	58.800	57.925	1,325	68
Aug	56.800	+.250	56.600	56.050	179	56
Total					9,469	2,902

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Mar	Jun	Mar	Jun
1125	36	63	29	33
1150	27	50	38	44
1175	17	39	54	56

■ COPPER (Grade A) LME	Mar	Jun	Mar	Jun
1750	66	114	15	28
1800	52	88	32	46
1850	30	68	59	70

■ COFFEE LCE	Mar	May	Mar	May
1200	70	96	38	66
1250	39	72	67	68
1300	28	54	96	125

■ COCOA LCE	Mar	May	Mar	May
950	26	61	69	43
975	19	42	77	55
1000	13	35	96	70

■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
1400	2	-	20	-
1450	3	4	-	-
1500	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)

		+or-
Dubai	$12.12-2.27	-.295
Brent Blend (dated)	$13.14-3.17	-.295
Brent Blend (Feb)	$13.36-3.38	-0.27
W.T.I. (1pm est)	$14.27-4.29	+0.21

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Premium Gasoline	$143-144	-1.5
Gas Oil	$144-146	-2
Heavy Fuel Oil	$55-56	
Naphtha	$127-129	-2
Jet fuel	$167-169	-1.5

Petroleum Argus Estimates

■ OTHER

		+or-
Gold (per troy oz)♣	$388.70	-0.05
Silver (per troy oz)♣	512.5c	+10.0
Platinum (per troy oz.)	$387.25	+1.90
Palladium (per troy oz.)	$122.60	-1.25
Copper (US prod.)	85.6c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	12.12r	+0.02
Tin (New York)	224.5c	+1.0
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	120.72p	-1.12*
Sheep (live weight)†	98.85p	-1.21*
Pigs (live weight)	69.64p	-5.32*
Lon. day sugar (raw)	$270.4	+3.5
Lon. day sugar (wte)	$285.5	+1.5
Tate & Lyle export	£291.5	+2.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£129.0	
Wheat (US Dark North)	£175.0z	
Rubber (Jan)♥	61.50p	+0.50
Rubber (Feb)♥	61.75p	-0.60
Rubber (KL RSS No1 Jul)	211.0m	-1.50
Coconut Oil (Phil)§	$650.0x	
Palm Oil (Malay)§	$422.5x	
Copra (Phil)§	$432.5	-12.5
Soyabeans (US)	£202.5	
Cotton 'A' Index	62.10c	+0.85
Wooltops (64s Super)	342p	

£ per tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. m-Malaysian cents/kg. [illegible]

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec 29	Dec 24	month ago	year ago
1675.8	1671.5	1621.4	1702.1

■ CRB Futures (Base: 1967=100)

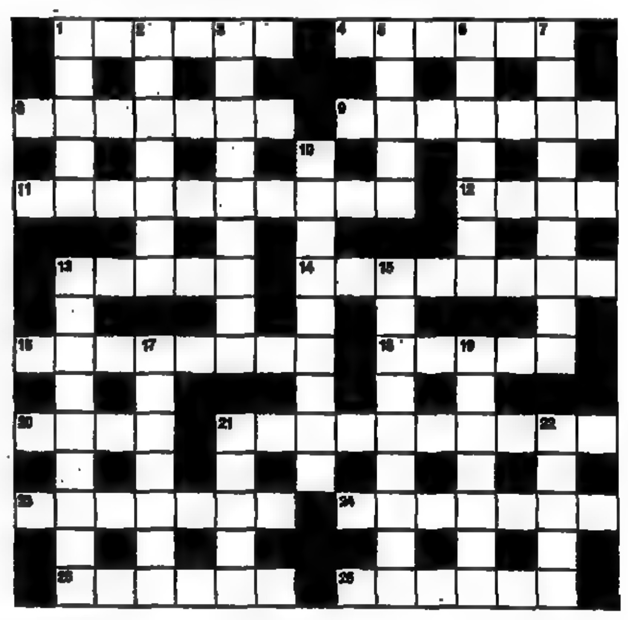
Dec 28	Dec 27	month ago	year ago
226.25	226.23	-	201.28

FT-ISMA INTERNATIONAL BOND SERVICE

THE FT-ISMA International Bond Service, published on Monday to Friday in the Financial Times, shows daily prices, provided by the International Securities Market Association, for a selection of the most actively traded Eurobonds and related instruments, [illegible]

CROSSWORD

No.8,341 Set by CINEPHILE



CC has the same meaning wherever it occurs in the clues; all except 26 are English.

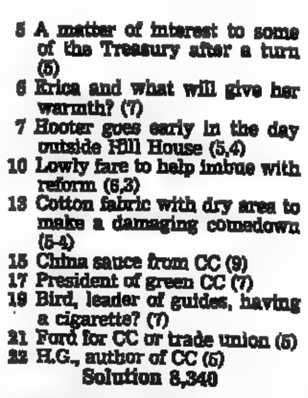
ACROSS

1 CC sounds like one who goes out, possibly (6)
4 CC had rum arrangement (6)
8 Law prescribing a drop of tea during sculpture (7)
9 Formula for leaving, stammering to half-caste (7)
11 CC to move like a horse put underground (10)
12 Ford for CC on this spot (4)
13 Box found in many CCs (5)
14 Awful bore – a few to watch out for (6,2)
16 Transport cotton fabric to CC (8)
18 Epitaph on CC (5)
20 Western bird giving pourer pause (4)
21 African bird making money by cheating, we hear (6,4)
23 Sort of lodge, one that gives birth to a boom? (7)
24 Refined piece of bird-song, nothing to a French painter (7)
25 Strip from Dundee (6)
26 CC, the best almost including a floor covering (6)

DOWN

1 It's taken out of context rather more (5)
2 Authorise to confer rank (7)
3 Response to knock? It is trouble inside (9)
5 A matter of interest to some of the Treasury after a turn (5)
6 Erica and what will give her warmth? (7)
7 Hooter goes early in the day outside Hill House (5,4)
10 Lowly fare to help imbue with reform (6,3)
13 Cotton fabric with dry area to make a damaging comedown (5-4)
15 China sauce from CC (9)
17 President of green CC (7)
19 Bird, leader of guides, having a cigarette? (7)
21 Ford for CC or trade union (5)
22 H.G., author of CC (5)

Solution 8,340



هكذا من الأصل

LONDON STOCK EXCHANGE

MARKET REPORT

Peaks on the Footsie in post-Christmas trading

By Terry Byland, UK Stock Market Editor

New peaks were scaled in the London stock market yesterday as traders returned from the Christmas break to find that their pre-holiday optimism had been outpaced by stock markets in the Far Eastern and other global investment centres. The FT-SE 100 Share Index jumped a further 49.7 points to a new closing high of 3,462; the Index ended well below the intra-day peak of 3,474.2, however, when Wall Street opened slowly and US investors left London alone.

Confidence in economic recovery in the UK was encouraged by reports of a late surge in business at shops and travel agents in the UK, and the stock market continued to look for a cut in base rates in the New Year. However, some analysts now suggest that a base rate cut may be held back until the spring when domestic consumers will feel the bite of the Budget tax increases.

Once again, share prices were pushed ahead by renewed buying of the March contract on the Footsie which broke through 3,500 at one time.

The merciless squeeze on market-maker's positions also continued and traders commented that, while the day's Seaq total of 479.3m shares was modest, it would have been much larger had stock been more readily available.

Interest was seen from European sources, with buyers from Germany picking up such retail leaders as Kingfisher and Marks & Spencer. But the UK institutions were clearly operating at no more than half speed, with many fund management desks only half-staffed.

Account Dealing Dates		
*First Dealings:		
Dec 13	Jan 4	Jan 17
Option Declarations:		
Dec 30	Jan 13	Jan 27
Last Dealings:		
Dec 31	Jan 14	Jan 28
Account Day:		
Jan 10	Jan 24	Feb 7

*New time dealings may take place from two business days earlier.

It was the absence of US interest, however, that took the wind out of the London market towards the close. UK analysts fear that upward pressures on interest rates may reappear on Wall Street in the near future. Optimism on domestic interest rates brought hopes in some quarters that the Bundesbank may set a lead at its next council meeting.

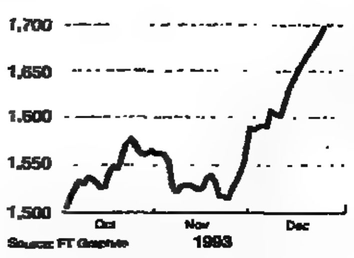
Investors in London brushed off two potentially disturbing factors, in the form of growing concern over prospects for a refinancing of Euro Disney, and the dismissal, by the Spanish central bank, of the board of Banco Espanol de Credito. News of developments at Eurotunnel came after trading closed in London.

The strongest gains came among the bank shares which have been leading the London market throughout the latest bull phase on the expectation that higher dividends will be prompted by the improvement to balance sheets following falling interest rates. However, the sector was featured by HSBC which was responding to strength in the Far East.

Store and retail shares, which have moved uncertainly as the stock market waited for news on the Christmas selling season, rose sharply on widespread reports of heavy business as the winter sales got under way.

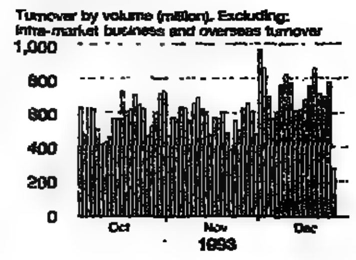
Private investor interest across the market pushed the FT-SE Mid 250 Index ahead by 33.8 to a new peak of 3,807. Stock Exchange data disclosed that the half session on Christmas Eve brought a total of 249.9m shares, which were worth £560.6m in retail worth. Christmas week brought retail business worth £7bn in UK equities, a high level for a pre-holiday period. It also continued the run of profitable trading in equities for UK securities houses which has featured the past eighteen months, and has been reflected in high bonus payments for successful market traders and analysts.

FT-A All-Share index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT SE 100	3462.0	+49.7	FT Ordinary Index	2598.7	+41.0
FT-SE Mid 250	3807.0	+33.8	FT-A 500 p/e	22.22	(21.97)
FT-SE-A 350	1721.5	+22.7	FT-SE 100 Fut Mar	3482.0	+47.0
FT-A All-Share	1698.75	+21.74	10 yr Gilt yield	6.08	(6.16)
FT-A All-Share yield	3.34	(3.38)	Long gilt/equity yld ratio:	1.97	(1.97)

Best performing sectors

1. Stores .... +3.4
2. Banks .... +3.2
3. Food Retailing .... +3.2
4. Metals & Metal Forming .... +2.4
5. Electronics .... +2.4

Worst performing sectors

1. Water .... -0.7
2. Media .... -0.7
3. Pack, Paper, Print .... -0.4
4. Building Materials .... -0.0
5. Merchant Banks .... +0.2

Christmas sales lift stores

Shares in leading high street retailers streaked ahead yesterday as speculators became increasingly convinced that the run up to Christmas and initial indications from post Christmas sales may be pointers to a significant upturn in consumer spending. The food retailing sector, the market's worst performing area this year, also shared in the upsurge.

Store shares have consistently underperformed the wider market recently but began to stir last week as some of the market's action funds – which take advantage of perceived short-term market opportunities – took out small bull positions ahead of official sales news from the big groups.

Analysts were reluctant to adopt any significant stance on sales figures but said initial indications were good and an early reduction in UK interest rates would provide further ammunition for fund managers to move into the sectors in strength. There was an element of caution from some areas, however; "The real danger for this sector will come when the companies issue official statements on trading. An inkling of bad news will see the sector down five per cent at a stroke," said one retailing specialist.

Marketmakers, on the other hand, adopted a more positive view and hoisted share prices throughout a busy session. GUS, the sector best performer during 1993, raced up 19¼ to 654p while Kingfisher leapt 36 to 778p on keen turnover of 3.3m. Marks & Spencer surged 30 to a record 460p – the biggest single day's gain in the stock since the Conservative's general election victory in April 1992 –on turnover of 3.8m. Boots climbed 26 to 605p.

However, W H Smith "A" stubbornly refused to join the party, the shares closing 4 off at 514p, bedevilled by concerns about the Do-It-All business.

Hopes of bumper Christmas sales in food retailing were focused clearly on J. Sainsbury, which raced up 17 to 455p and Kwik Save, 26 better at 618p. Argyll was left behind and unmoved at 277p while Asda managed a 2¼ gain at 57½p.

Dutch stocks flat

A flat market in a flat country held back two Dutch-related stocks. In the two and a half trading days that the London market was closed the Amsterdam CBS Tendency Index was held back by options related business and German selling.

As a result, magazine publisher Reed International, the UK-quoted element of Anglo-Dutch publishing group Reed Elsevier fell 13 to 894p. Unilever, the Anglo-Dutch food group, fell 2 to 1213p.

However, Shell Transport, the UK component of Royal Dutch Shell, rose 5 to 723p. She is seen as the safe haven in a perilous sector dogged by falling oil prices and the obvious choice for fund managers needing to maintain a sector weighting.

US investors remained unmoved by prospects that Reuters Holdings, the news and electronic information group, might buy the Globex share dealing system and continued to sell the stock.

Overseas selling meant that by the start of trading in London yesterday, US-traded American Depositary Receipts were priced at the equivalent of 1837p. The UK shares were marked down accordingly and were virtually flat until the late afternoon when further US selling drove them down again to end the day a net 36 lower at 1828p.

Banks stocks were driven sharply higher by a combination of a squeeze on market-makers' short positions, increasing hopes of another reduction in UK interest rates and optimism over an improvement in the UK housing market.

The latter was emphasised by a report from the Halifax building society which forecast a five per cent rise in house prices in the UK next year.

The steep rise in the Hong Kong market over the Christmas period was said to have propelled HSBC shares 36 to 936p and helped push Standard Chartered 16 firmer to 1247p.

Lloyds Bank was the pick of the other bank stocks, closing 27 better at 685p, closely followed by Abbey National, 22 to the good at 518p, NatWest which settled 21¼ up at 629p and Barclays rose 12 to 645p.

TSB was a lone weak spot in the sector, closing 2 easier at 244p as recent buyers of the shares, primarily on hopes of early news of asset sales and on growing optimism about the bank's January 13 preliminary figures, switched into other banks. Insurance stocks were left behind by the market's upsurge.

Euro Disney shares, savaged on the Paris Bourse during London's closure, plummeted to a record low of 328p before stabilising and closing 15 off at 358p; turnover in London was a paltry 78,000 shares. Dealers said the stock price had been mauled by suggestions that banks were being offered Euro Disney debt at a substantial discount and by rumours that the group's parent company, Walt Disney, was beginning to distance itself from Euro Disney's financial problems.

Attempts to drive the share prices of many of the FT-SE 100 constituents higher to help activities in the derivatives areas of the market were said to have involved Allied Lyons, which shot up 28 to a peak 693p on turnover of 2.5m.

News that Wellcome Trust, the medical research charity, will hold on to its 40 per cent stake in Wellcome for the time being added to general enthusiasm for the internationally traded stock which closed 16 higher at 667p. There had been worries of a glut of stock coming into the market and depressing the share price.

Fisons, which recently sacked its chief executive and announced closures and redundancies to restore shareholder confidence, bounced 15 to 128p following an end of year newspaper recommendation.

Demand for British Steel sent the shares up 4¼ to 127p on economic recovery hopes.

Pulp and newsprint group Bowater fell 14 to 469p on continued profit-taking.

An announcement that the British and French governments had agreed to extend their concession on the Channel Tunnel to Eurotunnel, the operator, came after the market closed but the shares had already lifted 23 to 563p.

In spite of their yield attractions, shares in international conglomerate Hanson managed failed to participate in London's stock market surge and rose only a penny to 273½p.

MARKET REPORTERS:
Christopher Price,
Peter John,
Steve Thompson.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (558)

BRITISH FUNDS (43) AMERICANS (2) Lowe's, Varity, BANKS (9) Abbey Natl., Barclays, HSBC, HSBC HK, Lloyds, NatWest, Ryl. Bk. of Scotland, Stand. Chartered, BREWERS (4) Allied-Lyons, Greenalls, Mansfield, Regent Inns, BLDG MATLS (16) BMSS, BPB, Blue Circle, Do 7¾pc Pf., Camdon, Do 7¾pc Pf., Heywood Williams, Do Cv Pf., Lafarge Coppee, Manders, Marshalls 8¾pc Pf., Newman Tonks, Pilkington, Do Wts., RMC, Sheffield Insins., BUSINESS SERVS (8) Adam & Harvey, Capita, Caskat, Dart, Hogg Robinson, Scott Pickford, CHEMS (8) BASF, BTP, Ellis & Everard, Hoechst, ICI, Laporte, CONGLOMERATES (5) Brierley, Daimler-Benz, Grampian, Hanson 9¾pc Cv., TT, CONTG & CONSTRCN (17) Ashtead, Bellway, CALA, Countryside, Crest Nicholson 5¾pc Pf., Havelock Europa, Higgs & Hill, Jarvis, McCarthy & Stone, Mowlem (J), Pochins, Shorif, Tay Homes, Taylor Woodrow, Wescol, Wilson Bowden, Wilson (C), ELECTRICALS (5) Crewers, Dowding 5 Mills, Kenwood, Oxford Instrs., Pifco, Do A, ELECTRICITY (8) ELECTRONICS (10) ENG AERO (3) ML, Smiths Inds., Westland, ENG GEN (11) Bullough, Corclo, Hill & Smith, IMI, Kvaerner, Prosser, Quadramatic, Renold, SKF, Sterling Inds., Verson Intl., FOOD MANUF (2) Cadbury Schweppes, Matthews (B), FOOD RETAILING (5) Park Food, Shoprite, HEALTH & HSEHOLD (15) Amersham, Astra AB, Court Cavendish, Kirby Leis, Paterson Zochonis, Reckitt & Colman, Do 6.5pc Cv., Takare, UniChem, Zeneca, HOTELS & LEIS (10) INSCE BROKERS (4) Heath (CE), PWS, INSCE COMPOSITE (3) Angermein, GRE, London Insce., INSCE LIFE (2) Liberty Life Africa, Transatlantic, Do B 6pc Pf., INV TRUSTS (240) MEDIA (11) MERCHANT BANKS (3) Close Bros., Hambros 7¾pc Pf., Schroders, MTL & MTL FORMING (6) Cohen (A), Cooper (Fr), Johnson Matthey, Metsec, Simsmetal, MISC (10) BAT Inds., Baxby, Black (P), Headlam, Nashaw, Parmeirlon Potts, Rothmans, Sothebys, Walker Greenbank, Young (H), MOTORS (8) OIL & GAS (9) BP, Burmah, Calor, Europe Energy, OTHER FINCL (6) Aberdeen Tst., Cattle's, Edinburgh Fd. Mngrs., Govett, M & G, Jardine Strategic, Natl. Home Lns. 7¾pc Pf., Perpetual, OTHER INDLS (8) Coal Invs., Cookson, Morgan Crucible, RJB, Sutar Wts., Vinten, Williams, Do 5¾pc Pf., Do 8p Pf., PACKG, PAPER & PRINTG (8) AR, Bemrose, De La Rue, Filofax, Macfarlane, Regent A, PROP (10) STORES (18) TELE NETWORKS (3) Cable & Wireless, Do 7pc Cv '08, Vodafone, TEXTS (8) Alexandra, Bmsn Mokar, Chloweil Invs., French (T), Hicking Pentecost, TRANSPORT (10) WATER (1) York, SOUTH AFRICANS (3) OK Bazaars, SA Brews., Tongaat-Hulett, PLANTATIONS (4) MINES (33)

NEW LOWS (3)

BUSINESS SERVS (1) Ind. Food Machinery, CONTG & CONSTRCN (1) Dundam Tyson, MEDIA (1) Blenheim 6.4pc Pf.

Data based on those Companies quoted on the London Share Service.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures continued to provide a strong lead for the stock market yesterday, although traders were quick to point out that, at 10,592 contracts in the March FT-SE contract, turnover was relatively thin, writes Terry Byland.

The contract closed at a premium of 20 points to the cash market, around 2 points to the fair value premium which allows for dividend flows and carrying costs on the underlying stocks.

Futures traders characterised yesterday's performance by derivates as "taking the line of least resistance": strong gains in continental European markets earlier this week, while London was closed, vied with renewed optimism for lower interest rates and further economic recovery in the UK as stimulating factors for the market.

There were some fears that a batch of Over-The-Counter, or individually structured futures programmes might expire before the year-end, but since such deals are agreed privately between clients and securities houses, nothing could be proved yesterday.

Turnover of 33,456 contracts in traded options compared with 17,367 in the half session on Christmas Eve. The FT-SE contract trade 15.073 yesterday and the Euro FT-SE headed the individual contracts list.

Interest rate related stocks took pride of place in the active stocks list following reports on Christmas trading at the big name retailers. Marks & Spencer (2,058 contracts), and Abbey National (1,852) were immediate beneficiaries and Land Securities (1,401) and National Westminster Bank (1,030) attracted significant interest.

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3455.0	3482.0	+47.0	3500.0	3455.0	10592	64187
Jun		3494.0	+47.5			0	1760

Contract traded on APT. Open interest figures are for previous day.

FT-SE 100 INDEX OPTION (LIFFE) (*3463) £10 per full index point

	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P
Jan	209	3½	227½	4½	174½	7	128½	13	86½	23	54½	40½	30	65½	15	103½
Feb	284½	9	238	12	194½	17½	152½	25½	116	38	82½	56	58½	80	36	111
Mar	292	14½	246½	21	206½	28	166½	40	131½	53	101½	72½	74½	96½	53½	125½
Apr	302	21½	269	28	218	37½	189	49	146½	54½	118½	84½	99	108	86	138
Jun†	320½	36			244½	57½			177	69½			120½	133½	86	160½

Calls 3,248 Puts 3,828

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P
Jan	348½	2½	301½	3	242½	4	195½	5	149½	7	108½	14	76½	27½	41½	46½
Feb	364½	4	306	7	266½	9	218	13½	172½	20½	132½	30	97	44	67½	64
Mar	361½	9½			271	17½			197	32½			115½	60		
Jun	388½	26			301	30½			225½	61			161	94		
Sept†	409½	41			331	50			260½	64½			199½	119½		

Calls 926 Puts 1,444 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

FT - SE Actuaries Share Indices — The UK Series

	Dec 29	Day's chge%	Dec 24	Dec 23	Dec 22	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3462.0	+1.5	3412.3	3396.5	3356.7	2885.5	3.40	5.00	24.70	97.16	1287.84
FT-SE Mid 250	3807.0	+0.9	3773.2	3762.8	3727.0	2856.4	3.20	4.99	24.73	95.10	1379.93
FT-SE Mid 250 ex Inv Trusts	3792.4	+0.8	3761.1	3750.6	3718.3	2868.0	3.32	5.37	23.17	97.74	1370.17
FT-SE-A 350	1721.5	+1.3	1699.8	1691.7	1672.3	1322.5	3.36	5.02	24.71	47.14	1291.08
FT-SE SmallCap	1859.07	+0.8	1845.17	1837.79	1821.77	-	3.05	3.57	32.86	43.20	1409.38
FT-SE SmallCap ex Inv Trusts	1805.78	+0.6	1795.27	1789.04	1776.58	-	3.26	4.40	29.93	45.49	1372.03
FT-A ALL-SHARE	1698.75	+1.3	1677.01	1669.96	1651.09	1358.06	3.34	4.96	25.06	46.11	1296.56

FT-Actuaries All-Share

	Dec 29	Day's chge%	Dec 24	Dec 23	Dec 22	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
1 CAPITAL GOODS(214)	1168.81	+1.2	1154.67	1152.53	1140.13	872.26	3.32	3.75	34.18	32.79	1390.91
2 Building Materials(28)	1434.54	—	1434.59	1429.72	1415.18	896.33	3.15	2.58	53.88	36.60	1682.22
3 Contracting, Construction(29)	1168.73	+1.0	1156.90	1150.43	1137.03	730.43	2.72	1.09	80.00†	25.21	1636.21
4 Electricals(15)	3029.56	+2.1	2968.30	2964.42	3005.61	2530.37	4.46	3.50	35.14	107.76	1241.77
5 Electronics(33)	2891.18	+2.2	2827.89	2819.19	2795.50	2354.38	3.05	6.05	19.75	83.63	1277.80
6 Engineering-Aerospace(7)	470.69	+1.0	466.11	465.31	462.92	285.86	3.06	‡	‡	12.12	1651.02
7 Engineering-General(49)	570.74	+0.9	564.48	563.40	560.54	510.00	3.22	5.09	23.94	16.79	1356.42
8 Metals & Metal Forming(9)	508.46	+2.4	496.53	496.08	491.40	321.45	2.34	0.65	80.00†	9.76	1619.98
9 Motors(20)	496.04	+0.9	491.42	489.64	482.31	372.57	4.46	3.66	37.89	15.73	1396.13
10 Other Industrials(20)	2333.88	+1.6	2298.13	2295.82	2256.94	1893.82	3.60	5.38	21.90	72.52	1219.00
21 CONSUMER GROUP(243)	1864.64	+1.4	1838.68	1833.88	1811.16	1751.67	3.22	5.96	20.17	47.39	1097.05
22 Brewers and Distillers(28)	2146.57	+1.0	2125.01	2121.43	2080.78	2087.14	3.58	6.55	18.28	58.78	1082.37
25 Food Manufacturing(24)	1440.27	+0.3	1435.25	1427.10	1417.55	1323.36	3.82	6.76	17.54	41.28	1125.11
26 Food Retailing(17)	2703.05	+3.2	2620.07	2607.37	2581.61	3267.72	3.56	8.18	13.60	76.62	858.04
27 Health & Household(31)	3807.39	+1.8	3739.41	3728.77	3672.14	4208.38	3.57	6.17	18.89	104.18	924.55
29 Hotels and Leisure(21)	1543.56	+0.4	1537.40	1533.32	1507.11	1277.29	3.86	5.64	22.59	53.05	1254.77
30 Media(34)	2503.29	-0.7	2519.78	2521.07	2473.56	1833.56	2.09	4.12	29.11	29.13	1400.37
31 Packaging and Paper(27)	958.98	-0.4	961.15	963.31	958.57	785.46	3.16	4.95	24.45	24.36	1283.37
34 Stores(41)	1492.51	+3.4	1444.03	1439.41	1420.73	1162.22	2.47	4.81	26.13	29.21	1310.46
35 Textiles(20)	799.39	+0.3	797.04	798.23	797.69	749.10	3.84	5.77	21.79	24.28	1103.80
40 OTHER GROUPS(144)	1844.22	+0.8	1829.48	1821.65	1799.08	1441.60	3.60	5.95	20.59	54.47	1333.36
41 Business Services(27)	1791.24	+1.2	1769.99	1766.99	1743.63	1522.88	2.54	6.61	17.15	35.84	1205.67
42 Chemicals(24)	1642.14	+1.5	1618.06	1605.99	1582.38	1430.45	3.96	0.29	‡	55.90	1199.80
43 Conglomerates(11)	1612.67	+0.5	1604.89	1604.34	1603.52	1371.35	4.76	3.25	46.04	59.77	1217.70
44 Transport(16)	3692.23	+0.9	3659.56	3640.57	3610.26	2780.39	3.22	3.82	31.17	102.40	1386.81
45 Electricity(17)	2585.43	+0.3	2578.51	2564.70	2496.23	1575.85	3.20	9.63	12.76	67.64	1717.65
46 Telephone Networks(4)	2186.80	+0.6	2173.95	2167.51	2146.71	1884.89	3.21	5.74	21.38	57.72	1344.07
47 Water(13)	4120.03	-0.7	4151.03	4160.82	4098.25	3282.43	4.42	10.80	10.23	130.51	1329.98
48 Miscellaneous(32)	2799.43	+2.7	2725.33	2691.90	2669.56	2193.70	4.07	5.35	18.91	85.93	1175.96
49 INDUSTRIAL GROUP(603)	1697.46	+1.2	1677.99	1672.81	1652.64	1434.64	3.37	5.52	22.18	48.39	1225.57
51 Oil & Gas(17)	2880.85	+0.9	2855.76	2850.18	2821.46	2231.27	3.86	5.56	22.55	89.73	1387.31
59 "500" SHARE INDEX(620)	1803.04	+1.1	1782.80	1777.80	1756.55	1510.01	3.42	5.52	22.22	50.04	1236.86
61 FINANCIAL GROUP(93)	1367.97	+2.1	1340.47	1326.50	1318.50	878.60	3.17	2.91	50.04	35.97	1825.35
62 Banks(9)	2017.06	+3.2	1954.42	1921.37	1905.78	1193.04	2.89	3.30	40.90	47.01	1755.21
65 Insurance (Life)(6)	2148.97	+0.5	2138.57	2138.01	2125.05	1791.31	4.28	4.46	28.23	73.50	1269.84
66 Insurance (Composite)(8)	761.89	+1.0	754.10	753.21	740.73	835.79	4.33	‡	‡	26.54	1267.27
67 Insurance Brokers(10)	870.60	+0.5	866.13	863.82	859.07	773.87	4.44	4.80	30.42	30.41	1170.25
68 Merchant Banks(6)	917.38	+0.2	915.56	914.35	909.13	503.24	2.57	6.34	19.35	18.79	1881.48
69 Property(30)	1170.28	+0.4	1165.91	1162.64	1162.35	643.96	3.40	3.30	41.55	32.41	1900.94
70 Other Financial(24)	491.96	+0.4	490.20	489.53	488.43	302.19	3.26	5.13	25.57	11.99	1684.64
71 Investment Trusts(110)	1969.90	+1.4	1943.48	1938.22	1902.82	1338.18	2.06	1.69	59.64	32.98	1509.63
99 FT-A ALL-SHARE(823)	1698.75	+1.3	1677.01	1669.96	1651.09	1358.06	3.34	4.96	25.06	46.11	1296.56

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3427.9	3437.6	3446.2	3448.7	3455.7	3458.6	3472.4	3469.1	3462.9	3474.2	3427.9
FT-SE Mid 250	3781.0	3788.3	3792.2	3794.1	3796.3	3799.5	3804.1	3806.5	3807.2	3808.9	3781.0
FT-SE-A 350	1705.7	1710.0	1713.9	1715.0	1718.2	1719.4	1725.2	1724.2	1721.9	1726.1	1705.7

Time of FT-SE 100 High 2.21pm Low 8.30am

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Construction	2243.3	2243.3	2249.3	2253.2	2259.8	2258.8	2259.8	2261.5	2265.6	2266.1	2243.0	+23.1
Health & H'hold	1131.1	1137.3	1140.9	1142.9	1145.1	1147.3	1151.4	1151.6	1152.5	1151.7	1130.9	+20.8
Water	1717.5	1719.3	1709.5	1709.6	1708.8	1699.7	1704.4	1704.9	1703.4	1703.4	1716.4	-13.0
Banks	2418.5	2426.5	2438.2	2440.5	2454.5	2458.4	2468.9	2460.1	2452.9	2451.7	2375.6	+76.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.
† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	7,300	57½	+2½
Abbey National†	3,700	518	+22
Albert Fisher	1,900	68	+2
Allied-Lyons†	2,600	693	+28
Anglian Water†	942	598	-6
Argos	203	386	+7
Argyll Group†	2,800	277	
Arjo Wiggins†	75	238	-1
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

هكذا من الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 High	1993 low	Yld Gr's	NAV	Dis or Pm(-)
Scot Asian Pig		385	+11	388	188	–	384.8	2.1
Warrants		1088	+18	1088	325	–	–	–
Scot East		90½	+½	91½	63½	2.1	100.0	9.8
Scottish Inv		246½	+2½	246½	183	2.5	274.8	10.1
Warrants		97	+2½	97	38	–	–	–
Scot Mortgage		255	+5	255	178	2.0	277.1	8.7
Scot National Inc.		105½	+1	105½	63	8.4	–	–
Cap.		42	—	42	16	–	158.5	73.5
Stepped Pf		180½	—	180½	180¼	4.7	–	–
Zero Div Pf		234	—	234	207	–	–	–
Warrants		8	+½	9	2½	–	–	–
Scot Value		118	+1½	118	71	–	–	–
Sec Alliance		1734	+15	1734	1390	1.9	1119.6	1.6
Second Consid.		178	+3	186	86	2.8	1882.2	7.2
Second RESC		180	+1	188	88	–	196.3	8.3
Second Market		440	+2	448	101	–	100.7	-8.2
Sec Tst Scot		102½	+2	103	74½	0.6	403.6	3.3
Select Assets		170	+2	170	109½	4.0	100.5	-1.3

MERCHANT BANKS

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's	P/E
Baring 8pc Cm 2nd Prf		111	+½	122½	93	13.9	9.0	–
9¼pc Non-Cum Prf		132½	+½	138	113	53.4	8.1	–
Close Bros.		405	+1	407	250	222.7	2.8	18.0
Hambros		402	+3	403	243	705.3	4.5	18.6
7½pc Cv Pf		185	+2½	186½	117½	247.5	5.7	–
Joseph (L)		410xd	—	420	313	21.9	5.0	–
Kleinwort Benson		589	+2	589	382	791.8	3.5	28.8
Rea Bros.		60	—	60	38	23.1	1.2	62.7
Schroders		1383	+3	1383	467½	1,378	1.1	27.2
N/V		1280	—	1318	387½	382.8	1.2	25.1
Singer & Fried		85	—	86	48	183.5	4.4	–
Warburg (SG)		844	—	848	528	2,068	2.6	13.8
Wintrust		385	—	385	188	38.7	3.7	28.2

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

OIL & GAS

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Eneex Intl $		14¼	+½	16	3¼	12.4	–
Europa Mins		46½	—	47	15	21.8	–
Harmo Gold C$		67¼	+¼	[illegible]	[illegible]	701.5	1.4
Kalls Mnls $		21	—	21	6	0.61	–
Nevan Res $		140	—	180	25	28.1	–
8pc Ln Notes		135	-1	145	25	24.8	–
Oryx Gold		45	—	78½	27	–	–
RTZ		812	+22	815	607	8,636	3.0

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current mid-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
Figures based on [illegible] 'Headline Earnings'
[illegible] Figures based on prospectus or other official [illegible] for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security [illegible]

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT9274. (If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822) Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An International service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (☆) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Royal Heritage Life Assurance Ltd - Contd.

[illegible]

Royal Life Insurance Ltd

New Hall Place, Liverpool L69 3HS 051-236 3000

[illegible]

Royal Liver Assurance

Royal Liver Building, Liverpool, L3 1HT. 051-236 1451

[illegible]

Scottish Amicable

[illegible]

Scottish Equitable Life Assce. Soc.

[illegible]

Scottish Life Investments

[illegible]

Scottish Mutual Assurance plc

[illegible]

Scottish Provident Group

[illegible]

Scottish Widows' Group

[illegible]

Skandia Life Assurance Co Ltd

[illegible]

Sun Alliance Group

[illegible]

Sun Life of Canada (UK) Ltd

[illegible]

Swiss Life (UK) PLC

[illegible]

TSB Life Ltd - Contd.

[illegible]

Target Life Assurance Co Ltd

[illegible]

Teachers' Assurance Company Ltd

[illegible]

Templeton Life Assurance Limited

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Fund	Bid Price	Offer Price	+ or -	Yield Gross
Citibank - Contd.				
Citibank N.A.				
Libra 2000 Oct 31	$139.28		+4.91	–
Coutts & Co (Jersey) Fund Managers Ltd				
EBC Fund Managers (Jersey) Ltd				
Income	$14.49		-0.01	1.28
Fleming Group				
Foreign & Colonial Mngmt (Jersey) Ltd				
US$ Cash	$11.167		+0.008	–
Gold	$11.203		+0.061	–
Greece Fund Ltd				

CMI Asset Management - Contd.

Commercial Union Luxembourg SA (u)

41 Ave de la Gare L-1611 010 352 402620261

Crosvale Group (u)

11 Rue Aldringen, L-1118 Luxembourg 071-357 8460

Lloyds Bank Luxembourg

Credit Suisse

Pacific Basin Growth Fund

Columbus Asset Management Ltd

The India Magnum Fund NV

Pakistan Fund

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar moves higher

The dollar rose against the D-Mark and yen on new indications of robust US growth next year, *Peter Marsh writes.*

Traders in London were reported to be looking for further gains in the US currency over the next few weeks, while few were willing to bet on any relaxation in German interest rates when the Bundesbank council meets on January 6.

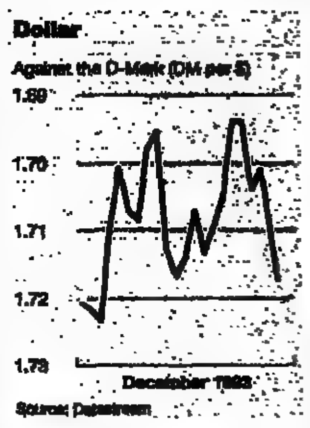
While the Bonn government on Tuesday made bullish noises about a recovery from the damaging German recession next year, the message from German industrial groups yesterday was less encouraging.

The inference from this is that some on the Bundesbank's policymaking body may consider appropriate a small easing in monetary conditions, especially as news on the inflation front recently has been fairly positive.

● Helping the dollar to gain in thin holiday trading were data indicating continued strength in the US economy, particularly in the previously hard-pressed housing market. Sales of existing US homes rose 2.9 per cent in November from the previous month to a seasonally adjusted annual rate of 4.21m, the National Association of Realtors said. The US government's main economic forecasting gauge showed a fourth straight gain in November as industrial activity picked up. The index of leading indicators, which is supposed to forecast economic trends six to nine months ahead, rose 0.5 per cent after an identical increase in October.

Helped by this news, the dollar rose to a European close of DM1.718, a gain of 1¼ pfennigs on Tuesday's finish. Against the yen, it rose to Y111.8 against Y111.35 previously and was close to brushing the "wall" of Y112.

● The Federal Association of German Industry said it expected only a slight recovery in west Germany in 1994, with little chance of higher employment. This gloomy tone was reinforced by the HDE German retailers' association, which said German store groups would shed at least 30,000 jobs next year. These reports may encourage hopes of a cut in German interest rates next month.



Source: Datastream

■ Pound in New York

Dec 29	Latest	Prev. close
£ spot	1.4915	1.5080
1 mth	1.4842	1.5054
3 mth	1.4742	1.5008
1 yr	1.4622	1.4880

● In London the Bank of England provided the UK money market with £487m, through its bill operations and £195m of "late assistance" – lending to discount houses at an unspecified rate. This compared with its forecast of a £750m liquidity shortage. In Frankfurt, German call money rates tightened as the Bundesbank unexpectedly drained a net DM5.1bn from the banking system in its money market operations.

● The pound slipped against the stronger dollar, closing in European trading at $1.4915, compared with $1.5085 the previous day. Against the D-Mark, sterling was little changed at DM2.5624.

● With effect from today, the currency rates used in the FT's tables will use data from a new source – the WM/Reuters Closing Spot Rates, after more than a year of preparation by WM, Edinburgh-based portfolio valuation specialist. The main change for readers is that the new data will be based on currency values established at 4pm London time during the previous day's trading, rather than the time of around 5pm used up to now.

Research by WM indicates that 4pm not only captures a larger selection of quotes from continental contributors to the Reuters system, but also reflects more accurately the peak trading period for the London and New York foreign exchange markets.

The main purpose of the venture, supported by leading London market practitioners, is to establish a daily standard for the foreign exchange rates required for index calculation, investment management and portfolio valuation. For the first time, a single suite of rates is available that will allow accurate comparisons between competing indices and competing funds. Outside the financial community, users of foreign exchange rates for commercial contracts and transactions will benefit from access to a more consistent set of data.

Because the market functions round the clock, establishing authoritative "closing" rates for currencies has previously been difficult. As a result no single, consistent set of foreign exchange rates has gained universal acceptance. WM has developed a mechanism with Reuters to calculate and publish a daily fixing, based on market rates derived from Reuters' foreign exchange reporting system. The initial selection of 62 currencies includes all those included in global or regional indices.

Besides using data from the WM/Reuters Closing Spot Rates for the foreign exchange tables published in the newspaper, the *Financial Times*, with its partners Goldman Sachs and NatWest Securities, has adopted the rates for use in the FT-Actuaries World Indices.

Other leading users of foreign exchange data which will adopt the standard include international index compilers such as J P Morgan, Morgan Stanley Capital International and Salomon Brothers.

● The system will work by selecting – at short intervals before and after 4pm London time – representative bid, offer and mid rates for the 62 currencies against the dollar. Anomalous data will be screened out, and a median rate calculated for each currency. Spot rates for all 62 currencies against sterling are then calculated as cross rates from the dollar parities, reflecting foreign exchange market practice.

POUND SPOT FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 29 / Sch)

BELGIUM/LUXEMBOURG (Dec 29 / Frs.)

DENMARK (Dec 29 / Kr)

FINLAND (Dec 29 / Mks)

FRANCE (Dec 29 / Frs.)

GERMANY (Dec 29 / Dm.)

ITALY (Dec 29 / Lire)

NETHERLANDS (Dec 29 / Fls.)

NORWAY (Dec 29 / Kroner)

SPAIN (Dec 29 / Pta.)

SWEDEN (Dec 29 / Kronor)

SWITZERLAND (Dec 29 / Frs.)

PACIFIC

JAPAN (Dec 29 / Yen)

AUSTRALIA (Dec 29 / Aust$)

HONG KONG (Dec 29 / H.K.$)

MALAYSIA (Dec 29 / MYR)

SINGAPORE (Dec 29 / S$)

NORTH AMERICA

CANADA

TORONTO (Dec 29 / Can $)

4 pm close

MONTREAL (Dec 29 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Dec 29 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1993. ● Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE

You can obtain the current annual reports of companies annotated with ♣. Ring 081 770 0770 or fax 081 770 3822, quoting FT Japan. If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822, quoting FT Japan. The Reports will be sent on the next working day. If faxing please remember to state FT Japan and give your post code.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday December 29,1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hanwa	6.0m	390	-65	Matsushita E Ind	3.8m	1,520	+20
Isuzu Motors	5.2m	344	+9	Bank of Osaka	3.8m	450	
Fujitsu Ltd	5.1m	844	-4	OKI Electric	3.8m	534	-5
Tsumura & Co	4.8m	1,160	-70	Bank of Kinki	3.0m	770	
Daikyo Inc	3.9m	781	-7	Sanrio	3.0m	930	-150

INDICES

	Dec 29	Dec 28	Dec 27	1993 High		1993 Low	
Korea CmpEx(4/1/80)	(c)	836.10	873.88	874.10	17/12	695.93	6/3
Spain							
Madrid SE (30/12/85)	314.58	319.34	323.71	323.71	27/12	215.80	4/1
Sweden							
AffarsvarldsGen (1/2/37)	1405.3	1388.6	1384.5	1405.10	4/11	879.10	28/1
Switzerland							
Swiss Bk Ind (31/12/58)	1293.82	1292.88	1302.75	1302.75	27/12	904.80	11/1
SBC General (1/4/87)	1008.07	1005.72	1013.85	1013.85	27/12	678.70	11/1
Taiwan							
WeightedPr.(30/6/66)	5528.07	5501.75	5481.58	5528.07	29/12	3098.43	9/1
Thailand							
Bangkok SET (30/4/75)	1589.63	1652.89	1608.12	1589.63	29/12	818.54	1/6
Turkey							
Istanbul Cmp.(Jan 1986)	16452.1	19576.8	19585.6	18797.30	24/12	3855.93	1/1
WORLD							
MS Capital Int (1/1/70)§	601.4*	601.3	598.1	607.10	15/10	489.80	13/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1466.30	(c)	(c)	1466.20	29/12	1093.02	13/1
Euro Top-100 (26/6/90)	1232.65	1229.85	1235.22	1235.22	27/12	982.73	13/1
JCapsOrgns (31/12/88)	(c)	(c)	(c)	398.05	24/12	189.92	4/1
Barings Emerg.(7/1/92)	165.72	165.30	(c)	165.72	29/12	99.91	4/2

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Dec	2267.0	2279.0	+17.0	2292.0	2265.0	27,209	16,655
Jan	2279.5	2291.0	+17.5	2304.0	2277.0	12,159	31,366
Feb	2291.0	2303.0	+17.0	2310.0	2291.0	2	158
Mar	2302.0	2314.0	+17.0	2326.0	2302.0	2,052	29,271

Open interest figures for previous day.

US INDICES

Dow Jones	Dec 28	Dec 27	Dec 23	1993 High	1993 Low	Since compilation High	Since compilation Low
Industrials	3793.77	3792.93	3757.72	3793.77 (28/12)	3241.95 (20/1)	3793.77 (28/12/93)	41.22 (2/7/32)
Home Bonds	104.76	104.89	111.26	111.29 (10/12)	103.49 (11/1)	111.29 (10/12/93)	54.99 (1/10/81)
Transport	1775.61	1770.47	1781.46	1775.61 (28/12)	1453.84 (4/1)	1775.61 (28/12/93)	12.32 (8/7/32)
Utilities	231.46	230.42	229.24	256.46 (31/8)	217.14 (8/1)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3813.33 (3804.05) Low 3768.10 (3750.48) (Theoretical†) Day's high 3798.98 (3782.83) Low 3780.09 (3754.83) (Actual†)

Standard and Poors	Dec 28	Dec 27	Dec 23	1993 High	1993 Low	Since compilation High	Since compilation Low
Composite ‡	470.94	470.55	467.38	470.94 (28/12)	429.05 (8/1)	470.94 (28/12/93)	4.40 (1/6/32)
Industrials	543.86	543.50	539.62	543.86 (28/12)	496.48 (28/4)	543.86 (28/12/93)	3.62 (21/6/32)
Financial	44.86	44.85	44.52	48.40 (28/8)	39.89 (8/1)	48.40 (28/8/93)	8.64 (1/10/74)
NYSE Comp.	260.50	260.07	258.49	260.58 (28/12)	236.21 (8/1)	260.50 (28/12/93)	4.48 (25/4/42)
Amex Mkt Val	470.00	467.15	465.32	484.28 (2/11)	395.84 (8/1)	484.28 (2/11/93)	29.31 (9/12/72)
NASDAQ Cmp	784.58	781.06	758.70	787.42 (15/10)	645.87 (26/4)	787.42 (15/10/93)	54.87 (31/10/72)

■ RATIOS

	Dec 17	Dec 10	Dec 3	Year ago
Dow Jones Ind. Div. Yield	2.67	2.67	2.70	3.12
	Dec 22	Dec 15	Dec 8	Year ago
S & P Ind. Div. yield	2.40	2.45	2.39	2.58
S & P Ind. P/E ratio	27.43	27.16	27.41	26.78

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	471.80	472.40	+0.50	472.75	471.80	28,700	180,536
Jun	473.15	473.40	+0.20	473.80	473.15	294	3,225
Sep	474.40	474.40	+0.30	474.80	474.40	15	883

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Merck	3,617,800	35¾	+⅛
RJR Nabisco	2,982,200	6⅛	—
Merry Go Rd	2,958,900	3⅝	+⅜
Wal-Mart	2,367,300	28	+¾
Amer T & T	1,868,400	54	-½
Limited	1,588,500	18⅞	-⅛
May Dept Str	1,477,900	39¾	+⅛
Sears Roebuck	1,473,800	51⅝	-⅞
Coca Cola	1,469,800	44½	+⅛
Quest Vol	1,450,700	24	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Dec 28	Dec 27	Dec 23
New York SE	198.295	218.581	227.185
Amex	16.452	11.970	18.347
NASDAQ	247.810	182.554	245.047
NYSE			
Issues Traded	2,896	2,889	2,720
Rises	1,204	1,313	1,246
Falls	827	787	830
Unchanged	865	619	644
New Highs	105	107	106
New Lows	24	24	40

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. † The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

4 pm close December 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
15	11½	AAR	0.48	3.3	487	44	14⅝	14½	14⅝	+⅛
29⅞	12¾	A L Labs A	0.18	1.3	32	747	14⅛	13⅝	14	
67¼	54⅞	AMP	1.80	2.5	22	1303	63⅛	62⅝	63	-⅛
72¾	55½	AMR			53	1740	67⅞	67	67½	-½
3⅞	1¾	ARX			14	275	3⅝	3½	3⅝	
61½	28⅞	ASA	2.00	4.1	32	888	49¼	47⅞	49⅛	+1
30⅞	22⅞	AbbtL	0.68	2.3	18	5281	30	29¾	29⅞	+⅛
12⅞	8⅞	Abitibi Pr	0.50	4.3	7	23	11⅝	11⅝	11⅝	
16⅝	8¼	Acpincoln			19	24	11¾	11⅝	11¾	
38	29½	ACE Ltd	0.40	1.3	5	1816	30⅛	29½	30	-⅛
12⅞	10¾	ACM Gvt In	1.08	8.7		866	12⅛	12	12⅛	+⅛
10⅛	9⅛	ACM GvOpp	0.80	8.3		69	9¾	9⅝	9⅝	
10⅞	8¾	ACM Gvt Sp	0.85	8.3		348	10¼	10⅛	10¼	+⅛
12¾	10½	ACM Gvt Sc	1.04	8.9		1058	11⅞	11¾	11¾	
12¾	9⅞	ACM Man x	1.13	10.2		127	11¼	11⅛	11⅛	-⅛
9⅞	8⅞	ACM Managd	0.72	8.0		110	9⅛	9	9	-⅛
12⅞	7¾	AcmeClv	0.44	4.5	12	34	9⅞	9⅝	9⅞	+⅛
11⅞	6⅞	Acme Elect			39	38	8⅛	8⅛	8⅛	
27⅞	18⅞	Acordia	0.44	1.8	13	41	24¼	23⅞	24¼	+½
16	10⅞	Acuson			57	1017	12¾	12½	12⅝	-⅛
21¾	17¾	Adams Expr	0.52	2.9	0	92	18	17⅞	17⅞	-⅛
60¼	45½	Ad Micro	3.00	6.3		48	47½	47¼	47⅞	-¼
32¾	17	AdvMic	3.00	17.0	6	2793	17⅞	17⅝	17⅝	-½
8½	5½	Advest Grp	0.16	2.4	12	140	6⅞	6¾	6¾	-⅛
24¾	14¾	Adeo Inc	0.08	0.4	85	437	18	17¼	18	+¼
58½	41⅛	Aegon ADR	1.23	2.3	12	164	55	54½	54½	-1½
66¼	43⅞	AetnaL	2.76	4.5	26	1359	60¼	58⅞	60¼	+½
34	24⅞	Aflac	0.40	1.4	13	2197	28⅞	28	28¾	+1
22½	16¾	Ahmson	0.88	4.5	8	1690	19⅝	19	19¾	+½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

Continued on next page

هكذا من الاصل

4 pm close December 29

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close December 29

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
ABS Inds	0.20	15	18	10¾	10	10¼	-⅛
ACC Corp	0.12	55	642	18¼	17¼	18¼	+¾
Acclaim E		32	7373	21⅞	20½	20⅝	-¾
Acme Mtls		28	116	17½	16¾	17	-½
Acxiom Cp		33	17	22¼	21¾	21¾	-½
Adaptech		19	2362	u39¾	38¾	39¾	+¾
ADC Tele		30	981	35	34½	35	
Addington		116	20	19¾	19½	19¾	+¼
Adia Serv	0.16	15	29	22	21½	22	+½
Adobe Sys	0.20	20	13298	23	21¾	22½	+½
Advance C		11	558	u15¾	15	15⅝	-⅛
Adv Logic		3	358	3¼	3	3¼	+¼
Adv Polym		7	984	5½	[illegible]	5⅛	-½
AdvTchLab		48	208	17	16½	17	+¼
Advanta	0.20	18	636	34¼	33¼	33¾	-¼
Affymax		11	1300	14¾	14	14¼	-¼
Agency Re		21	709	u12⅞	12⅝	12⅞	
AgnicoEa	0.10	145	1375	13⅜	12¾	13⅛	-⅛
Alco ADR	0.78	17	1750	48¾	48½	48¼	-⅞
Aldus Cp		52	1019	26¾	25¼	26¾	+½
AlexBld	0.88	19	532	28½	25¼	26¼	+¼
Allegh &W		15	80	6⅞	6½	6⅞	+¼
Allen Org	0.48	12	7	30	30	30	-¼
Alian Ph		5	1275	8½	7¾	8	-¼
AlldCapll	1.22	12	2700	14	13¼	13½	
Alld Cap	1.35	13	408	15¼	14¾	15¼	+½
Aloette C	0.32	500	20	5	4⅞	5	+¼
Alta Gold	0.06	2	938	1⅞	1⅛	1⅛	-1/16
Altera Co		41	2284	32⅞	31½	31⅞	-½
Am Banker	0.68	9	367	25⅞	25½	25⅞	+⅜

AMEX COMPOSITE PRICES

4 pm close December 29

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
NthCanOil	0.20	18	23	9⅝	9½	9⅝	+⅛
Numac O&G		82	15	6⅞	6⅝	6⅝	
NY Ryan		1	1204	7/16	⅜	⅜	
Odetics A		33	83	9⅜	9⅛	9¼	+½
Oilsten	0.24	54	2665	28⅛	27⅞	28	+⅛
Pegasus G	0.40	121	955	22⅛	21⅝	21⅞	
Paninl	0.80	2	27	11⅞	11⅞	11¾	
Pet HtgP	1.86	27	10	20	20	20	+⅜
Phil LD x	0.23	22	2943	83¼	80⅝	82	-¾
Pittway A	0.50	17	88	31¾	31½	31¾	+½
Ply Gem	0.12	25	714	18	17	18	+1
PMC	0.85	16	51	14½	14¼	14½	+¼
PresidioA	0.10	1	68	1 13/16	1¾	1 13/16	
RoganBrad		31	2108	29	29	29	
RB&W Cp		3	103	6	5⅞	6	+⅛
RiedelEnv		3	78	2⅜	2¼	2⅜	-⅛
SJW Corp	2.04	12	4	38¾	38¾	38¾	+¼
SthnUnion		24	86	26¼	26⅛	26¼	+⅛
Sterl El	0.04	12	328	10⅛	9⅝	10⅛	+⅜
TII Ind		24	119	3⅝	3 7/16	3½	+⅛
Tab Prods	0.20	47	57	8¾	8⅝	8⅝	-⅛
TelDData	0.34	60	337	51⅛	50	50	-⅝
Thermedics		73	985	14⅝	14⅛	14⅝	+½
Thermoins		36	321	u34¼	33⅝	34¼	+½
TotlPNA	0.20	18	196	10⅞	10¾	10⅞	
TownCntry		1	147	3¼	3⅛	3¼	+1/16
Tubos Mex		20	628	6½	6	6¼	-¼
UtdFoodsA		4	25	1⅞	1 13/16	1 13/16	-⅛
UtdFoodsB	0.20	45	3	1 13/16	1 13/16	1 13/16	
UnivPtnls		18	67	6½	6	6½	+⅜
US Cellul		255	134	33¼	32¾	33¼	+⅜
Weatherfd		29	1577	10⅛	9⅝	10	+⅜
Westamr	0.60	19	31	27¼	27	27¼	-¼
WIRET	1.12	18	107	13	12⅝	13	+¼
Worthen	0.20	8	52	21¾	21½	21¾	+⅜
Xytronix		8	393	8⅞	8½	8½	

AMERICA

Selling hits oil sector as Dow holds steady

Wall Street

For the second consecutive day US share prices traded close to their opening values as traders and investors waited for the holiday week to end and a new trading year to start in earnest, *writes Patrick Harverson in New York.*

By 1 pm, the Dow Jones Industrial Average was down 1.96 at 3,791.81, having stayed in a narrow range throughout the morning session. The more broadly based Standard & Poor's 500 index was also little changed at the halfway mark, down 0.36 at 470.58, while the Amex composite was up 0.41 at 470.41, and the Nasdaq composite up 2.51 at 767.07. Trading volume was 180m shares by 1 pm.

Prices firmed at the start as investors reacted to more positive news on the economy. The good news was a 0.5 per cent increase in the November leading economic indicators, and a 29 per cent rise in November existing home sales. The data sufficient to push the Dow close to 3,800 but, by mid-morning, weakness among oil stocks, notably Chevron and Exxon, brought the Dow back from its early highs and into negative territory.

The strengthening economy, combined with low interest rates and the expectation that share prices would end the year on a positive note as they usually do, were all working in the market's favour, and keeping stocks at or close to record highs.

The selling in the oil sector was related to the latest declines in oil prices. Although Exxon was down $¾ at $63¾, Chevron, down $¾ at $88¾, and British Petroleum, down $⅜ at $64⅝, some oil stocks escaped the sell-off.

Phillips Petroleum rose $⅜ to $29, and Mobil rose $⅜ to $79⅛. The latter was probably helped by the news that the company had sold off four pipeline systems, closed 10 product storage terminals and cut its domestic marine fleet by 33 per cent as part of a year-long streamlining of its US distribution system.

Airline stocks underperformed after the brokerage house, Prudential Securities, cut its rating of Delta Air Lines stock from "buy" to "hold". Delta fell $1⅛ to $54⅜. UAL gave up $1⅛ at $146⅛, AMR, parent of American Airlines, slipped $⅝ to $67⅛, while USAir held steady at $13.

CompUSA jumped $1⅞ to $21⅛ on the news that the technology goods retailer's same-store sales had risen 13 per cent in its second fiscal quarter.

On the Nasdaq market, Intel gave up some of Tuesday's gains, slipping $⅛ to $63⅛. Other big technology stocks were mixed, with Apple down $⅜ at $29 but Microsoft up $⅜ at $83⅛.

Canada

Toronto picked up after a hesitant start, driven by firmer industrials and energy issues, and by noon, the TSE 300 composite index was 13.96 higher at 4,302.98.

Volume remained restrained, however, at 17.1m shares, compared with 21.2m on Tuesday.

The industrial products sector added 29.74 or 1.2 per cent to 2,957.07. Shares in Northern Telecom rose C$1⅛ to C$40⅞ in light dealings, in response to expectations of positive developments in telecoms deregulation south of the border.

SOUTH AFRICA

Overheated gold shares cooled off for the second day, but industrials continued their upward march, particularly in the food sector.

The gold index lost 31 to 2,126, industrials gained 33 to 5,520 and the overall index put on 2 to 4,799.

ASIA PACIFIC

More highs in region as Nikkei extends revival

Tokyo

Japanese equities extended the recovery which they began in Tuesday's trading, as buying from arbitrageurs and investment trusts lifted the market, in volatile trading, on the final full day of activity in this calendar year, *writes Wayne Lionel Aponte in Tokyo.*

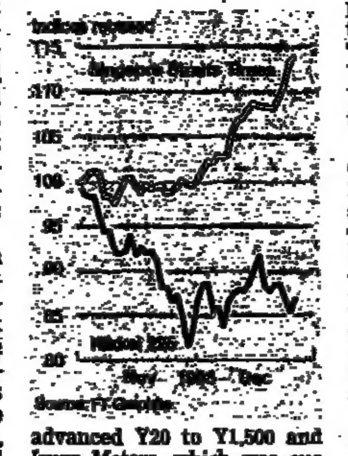
The Nikkei-225 average rose 140.82 to settle at 17,272.03, after fluctuating between an intraday low of 17,036.30 and a high of 17,342.13. The Topix index of all first section issues ended 2.08 higher at 1,429.27. Japanese equity trading will end today after the morning session today.

Turnover was estimated at 220m, compared with Tuesday's final 202m. Advances outpaced declines by 578 to 373, with 183 issues unchanged. In London, the ISE/Nikkei 50 index rose 0.83 to 1,183.9.

In spite of the lack of trading volume, brokers said that the day's market sentiment reflected a lift in mood generally expected during this time of the month. Investors had widely hoped for a grand finale. The year-end finish was far from grand, but did result in positive territory, and moderately above the year-end finish of 1992, which was 16,924.95.

Pressed and crisp, traders on the Tokyo Stock Exchange followed the tradition of applauding on the final day of stock transactions, but clearly there was scant reason for celebration. The Nikkei-225 average's overall performance for the year was lacklustre at best, and the key barometer still remains more than 50 per cent below its all-time peak of 38,915.87 posted in late 1989.

On the trading floor, the automobile sector received a boost on reports of a proposed consumption tax cut for car purchases. Toyota ended Y30 higher at Y1,780, Honda



advanced Y20 to Y1,500 and Isuzu Motors, which was one the most actively traded issues of the session, gained Y9 to Y344.

Some consumer electronic issues were bought actively. Pioneer Electronic climbed Y110 to Y2,770, Sony rose Y30 to Y5,510 and Victor moved Y5 higher to Y835.

The session's gains failed to push banking shares into positive territory. The Bank of Tokyo ended Y20 lower to Y1,470, Industrial Bank ended Y10 lower to Y2,800 and Sumitomo Bank fell Y30 to Y1,900.

In Osaka, the OSE average ended 121.08 higher to 19,085.47, in volume of 29.8m shares.

Roundup

New highs were the rule in Asia, the exception being Hong Kong which saw profit taking. Seoul and Bombay were closed for holidays.

SINGAPORE hit a new closing high for the third day this week in record volume, the Straits Times Industrial index ending 34.48 higher at 2,426.85 in 855m shares.

Retail investors provided the impetus, with international fund managers divided over 1994 prospects.

MANILA peaked on the last trading day of 1993 amid forecasts of another strong year in 1994. The composite index rose 30.43 to 3,196.08, lifted by Philippine Long Distance Telephone and Philippine National Bank which rose 10 pesos to 2,290 and 45 to 615 respectively. Combined turnover at Manila and Makati rose from 3.07bn pesos to 4.26bn.

TAIWAN closed at a 29-month high as the market repeated Tuesday's pattern, with financials strong but most industrials down on profit-taking. The weighed index closed 36.32 up at 5,538.07 in turnover of T$83.04bn.

Heavy speculation was seen in financials and brokers worried that the mood, illogically, might have developed following the finance ministry's reimposition of a stock capital gains tax, of which details are expected by the end of this week.

JAKARTA professionals thought that window-dressing might have helped the official index up another 15.32 to a new high of 587.88.

KARACHI saw active buying by local institutions and foreign funds as the KSE-100 index rose 42.21 to another new peak of 2,143.41.

AUSTRALIA closed just fractionally short of the post-1987 crash high of 2,132.4 reached on November 1, the All Ordinaries index rising 37.7 to 2,126.9 as it caught up after the Christmas break.

Blue chips were almost all firmer, with BHP up 50 cents to A$16.90 and News Corp up five to A$9.75.

NEW ZEALAND, also catching up with the US market, sent the NZSE-40 index up 46.79 to a nine-week high of 2,155.12. Brokers said that the steep fall in wholesale interest rates before Christmas was also a factor.

HONG KONG dealers talked comfortably of consolidation as the Hang Seng index closed down 120.45, or 1 per cent at 11,449.77. Turnover remained strong, close to Tuesday's final HK$9.61bn.

Mobile phones leave Kuala Lumpur walking on air

Kieran Cooke reports on the broadly based share buying frenzy that is gripping the Malaysian market

A hairdressing salon in central Kuala Lumpur. A mobile phone rings. It belongs to the girl with the scissors. "Buy 1,000 at M$3.50 ($1.40), sell at M$5."

It is hard to escape the share frenzy which is gripping Malaysia. The Kuala Lumpur composite index, up 8.81 at a record 1,231.86 yesterday, has risen by 91.7 per cent this year. The retail market, rather than local or foreign institutional buyers, are leading the headlong stock market charge.

Mr Michael Greenall, an investment analyst with Barings in Kuala Lumpur, estimates that the retail sector has accounted for as much as 70 per cent of recent activity.

"Just look at the crowd in the broking offices. Mostly housewives or shopowners," says Mr Greenall. "They are the people who have been giving a real buzz to the market.

"Such is the dealing going on that some brokers are giving mobile phones to their bigger clients. There's a great deal of purely speculative trading happening but on the plus side there's still plenty of liquidity in the market."

Turnover figures back up that argument. A year ago average daily turnover was about M$200m. In recent weeks it has been around the M$3bn mark.

While there seems to be a consensus among analysts that, with market p/e ratios up to around 30 most shares are looking expensive, opinions differ about the likelihood of a sharp correction.

The head of a local securities house says that he is very uncomfortable with the present situation. "Until October the market was behaving reasonably rationally and showing some signs of sophistication. But since then it's gone back to the bad old days where speculation becomes confused with fundamentals. It's defied the natural order of things."

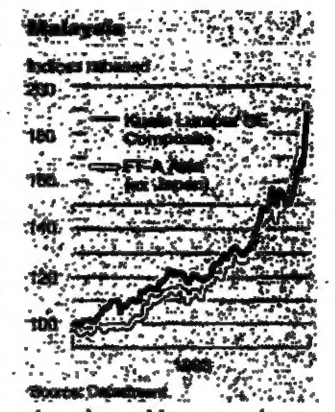
The fundamentals of the overall economy are looking good. Malaysia has one of the world's fastest growing economies. Latest economic indicators suggest that GDP will expand by about 8.5 per cent this year – the sixth successive year of more than 8 per cent growth.

The 1994 budget, delivered in late October, was seen to be generally good for business, with a cut in the corporate tax rate and promises of big increases in state spending, particularly on infrastructure.

In November, Malaysia's political future seemed to be settled with the election of Mr Anwar Ibrahim, the finance minister, to the post of deputy leader of the United Malays National Organisation (UMNO), the dominant party.

Mr Anwar, 46, is now being seen as the heir apparent to Dr Mahathir Mohamad, 68, who has been the country's prime minister for the last 12 years.

Market optimists point to other positive factors. Malay-



sians, buoyed by economic success, have been bringing back large amounts of money previously parked overseas. With low interest rates people have been investing in the stock market or buying property.

The government is committed to continuing its wide ranging privatisation programme. Hicom, the government's heavy industry investment company, is due to be floated early in 1994. Privatisation of the country's water system is also on the cards.

Many companies have taken advantage of the buoyant market to restructure and expand operations. Modern management techniques have taken the place of old-style family-orientated business methods.

Companies like Sime Darby, Hong Leong and Genting are now considered to be equal to the best in the region, and, sitting on considerable hoards of cash, ready to take advantage of opportunities both at home and abroad.

But rapid market growth has caused problems. Many feel that much still needs to be done to tighten up the regulatory aspects of the market.

The government has warned broking houses that they must strengthen their back office operations. There has also been evidence of a more concerted effort by the authorities to rid the market of insider trading and other abuses.

A handful of companies, including Tenaga Nasional, the electricity utility, and Telekom, the telecommunications company, account for about 50 per cent of total market capitalisation.

Foreign activity has been concentrated mainly on these stocks and there are fears that if institutions decide to sell their blue chips at the present high prices, no one will be willing to buy. A quick slide in the market could result.

Retail activity has been centred on the smaller stocks, some of which have recorded spectacular gains. Companies rumoured to have strong links to prominent politicians have been popular. Those which combine such connections with expertise in fast growing sectors like infrastructure have seen their stock market values treble or quadruple in recent months.

EUROPE

Madrid depressed by Banesto upheaval

Bourses had a mixed day, *writes Our Markets Staff.*

MADRID fell another 1.5 per cent, dragged down by negative sentiment after the Bank of Spain's decision to take control of the management in Banesto. Banks suffered again, with BCH Pta195, or 6.1 per cent, lower at Pta3,105 and BBV down Pta190, or 5.8 per cent, at Pta3,075. Turnover was an active Pta13.4bn.

PARIS climbed to a new closing high with the CAC-40 index up 17.25 at 2,281.89 in turnover of FFr4.35bn. Euro Disney recovered FFr2.85, or 9.8 per cent, to FFr31.90 on short covering after a two-day fall of FFr4.15.

FRANKFURT continued to be dominated by DTB-originated trading, following a mini-crash in the DAX futures index on Tuesday. In the cash market, the DAX fell another 28.12, or 1.3 per cent, to 2,214.70 yesterday, recovering to 2,229.62 in the post bourse.

Very little of this was investment business, emphasised Mr Jens Wiecking of Merck Finck in Düsseldorf. The fall in the market, he said, was merely a correction after Tuesday's intra-day high of 2,284.56 – and the post bourse "recovery", again, was a matter of traders covering their short positions.

Turnover fell from DM10.5bn to DM7.9bn. Banks were relatively weak again, Bayernverein losing DM15 at DM570 and Commerzbank DM9 at DM382.

ZURICH overcame an early continuation of Tuesday's consolidation to finish marginally firmer with late demand sparked by Wall Street's firm opening. The SMI indexfinished 3.3 higher at 2,934.2.

Banks remained neglected although CS Holding recovered from Tuesday's 3 per cent fall after the share was split, the bearers adding SFr7 to SFr735.

AMSTERDAM spent a quiet session although most internationals took their lead from London's bullish tone. The CBS Tendency index added 0.2 at 148.3.

A slightly stronger bond market cushioned a downward drift in financials, while VNU, 30 cents ahead at Fl 174.20, was the only one of the major publishers to escape a second day of profit-taking.

MILAN eased on profit-taking in continuing low volume and the Comit index shed 4.10 to 613.83.

STOCKHOLM came back to life after two listless sessions, the the Affärsvärlden index adding 21.7, or 1.6 per cent, to 1405.3. Astra A shares rose SKr6 to a record SKr192 on the strength of technical factors and positive press comment. Ericsson Bs rose SKr8 to SKr339 and Asea As gained SKr11 to SKr586.

COPENHAGEN continued its steady ascent, KFX index adding 1.54 to at 108.19, for a cumulative 4.3 per cent rise since the Christmas break.

Industrial and shipping shares did well. Three per cent rises were recorded by AP Moeller's D/S 1912, up DKr4,000 at DKr132,000, and Sand Svendborg B, DKr6,000 higher at DKr191,000, both supported by press reports of the sale of Maersk's shareholding in a Hong Kong shipping terminal.

OSLO rose almost 1 per cent, helped by higher North Sea oil prices and a stronger dollar. The all-share index added 5.70 to 615.13, with the central bank's announcement of a rise from today in key interest rates coming after the market closed.

HELSINKI moved firmly ahead in strong demand linked both to year-end book squaring and to the continuing fall in interest rates. The Hex index closed 25.4, or 1.6 per cent higher, at 1,586.2.

ATHENS rose 1.6 per cent to a new high for the year, the general index closing 14.84 higher at 950.01, mostly on news that prime lending rates will drop by a percentage point on January 1.

TEL AVIV recovered on positive developments in talks between Israel and the PLO in Cairo, the Mishtanim index gaining 2.31 at 248.54.

Written and edited by William Cochrane and Michael Morgan.

FT-SE Actuaries Share Indices

Dec 29 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1461.01	1461.80	1461.59	1460.33	1462.74	1462.71	1466.76	1466.20
FT-SE Eurotrack 200	1546.08	1546.32	1546.72	1545.23	1546.90	1550.21	1551.48	1552.09

	Dec. 24	Dec. 23	Dec. 22	Dec. 21	Dec. 20
FT-SE Eurotrack 100	1459.40	1459.50	1451.84	1442.03	1437.27
FT-SE Eurotrack 200	1535.05	1532.40	1516.71	1508.76	1510.32

Base value 1000 (26/10/90). Highday: 100 - 1467.15; 200 - 1552.28 Lowday: 100 - 1460.70 200 - 1545.82.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — TUESDAY DECEMBER 28 1993 — MONDAY DECEMBER 27 1993 — DOLLAR INDEX

Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1993 High | 1993 Low | Year ago (approx)

[illegible]

Copyright, The Financial Times Limited, Goldman, Sachs and Co. and NatWest Securities Limited. 1987

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jan	Apr	Jul	Puts Jan	Apr	Jul
[illegible]							

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	61	1	16
Other Fixed Interest	0	0	15
Commercial, Industrial	530	128	788
Financial	71	19	88
Property	30	4	100
Investment Trusts	314	40	188
Oil & Gas	28	9	44
Mines	64	21	55
Others	78	25	48
Totals	1,176	247	1,336

Data based on those companies listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993 High	1993 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	53.3	102	100	Aberforth Sp C	100½		-	-	-	-
100	F.P.	26.2	102	92	Abtrust LLoyds	94		-	-	-	-
230	F.P.	57.7	265	230	Adan	264	+2	L3.0	2.8	1.4	31.4
100	F.P.	116.8	108	96	CLM Insce	106	+1	-	-	-	-
250	F.P.	168.8	250	217	Celltech	225		-	-	-	-
§155	F.P.	284.7	183	178	Chelsfield	182	+1	NM2.4	-	1.6	-
280	F.P.	233.8	320	268	DFS Furniture	320	+5	L6.4	2.1	2.5	24.2
100	F.P.	63.7	100	98	Fairbairn Eur Sm	98		-	-	-	-
180	F.P.	64.4	184	168	Fenchurch	184	+3	W7.2	1.5	4.9	16.4
-	F.P.	32.7	112	101½	Finsbury Under'wrt	109	+1	-	-	-	-
100	F.P.	43.8	109½	100	For & Col Small C	109½	+1	-	-	-	-
165	F.P.	417.1	207	165	Gartmore	207	+3	W4.0	2.0	2.4	25.5
-	F.P.	36.4	119	105	Govett Emrg. C	118		-	-	-	-
100	F.P.	56.6	113	102	Govett High Inc	113	+2	-	-	-	-
-	F.P.	0.7	5	3	‡Harmony Wrts.	4		-	-	-	-
100	F.P.	24.6	111	108	Inspirations	108		NR3.5	2.1	4.1	10.2
50	P.P.	10.4	53	51½	Kleinwort 2nd End	52		-	-	-	-
190	F.P.	62.3	235	191	Litho Supps.	236		R8.5	2.0	3.4	18.2
320	F.P.	32.4	355	333	London Indl	354		UN7.0	1.2	2.5	33.3
100	F.P.	43.1	108	94½	Medland Insce.	107		-	-	-	-
100	F.P.	535.0	107	96	Mercury Wrld Mng	107	+2	-	-	-	-
§40	F.P.	7.5	42	40	‡Millgate	40		2.5	1.8	7.8	9.1
100	F.P.	27.5	110	100	Morgan Grenfell C	110	+1	-	-	-	-
100	F.P.	25.9	104½	98	NM Smllr. Aust.	104½	+1½	-	-	-	-
-	F.P.	2.5	49	42	Do. Wrnts.	49	+1	-	-	-	-
§140	F.P.	86.4	148	139	Nelson Hurst	147		R5.6	1.8	4.8	14.7
100	F.P.	59.4	99	92	New London Cap	98	+1	-	-	-	-
§78	F.P.	57.1	120	94	‡On Demand Info	112		-	-	-	-
100	F.P.	15.8	103	100	Pilot Inv C	103	+1	-	-	-	-
-	F.P.	19.4	99	94	Premium Trust	98		-	-	-	-
-	F.P.	16.1	122	107	Premium U'wring	122		-	-	-	-
§10	F.P.	2.0	11½	10¼	Rosemont	11		-	-	-	-
-	F.P.	126.9	232	193	Royal Doulton	220	-1	H8.8	-	3.6	-
60	F.P.	9.4	62	61	‡Securitised En.	62		NR3.5	1.0	7.1	11.0
180	F.P.	60.6	208	178	Telspec	191		R2.5	2.8	1.6	24.0

‡ Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1993 High	1993 Low	Stock	Closing price p	+or-
[illegible]							

FINANCIAL TIMES EQUITY INDICES

	Dec 29	Dec 24	Dec 23	Dec 22	Dec 21	Yr ago	*High	*Low
Ordinary share	2598.7	2557.7	2549.2	2513.7	2508.7	2178.8	2598.7	2124.7
Ord. div. yield	3.58	3.62	3.63	3.69	3.71	4.29	4.62	3.58
Earn. yld. % full	4.06	4.11	4.12	4.18	4.20	5.86	6.36	4.06
P/E ratio net	31.10	30.72	30.65	30.15	30.01	21.69	31.10	19.40
P/E ratio nil	28.83	28.48	28.41	27.98	27.82	20.01	28.83	18.14
Gold Mines	250.4	243.1	240.5	242.6	247.4	84.4	257.6	80.0

*For 1993. Ordinary share index since compilation: high 2598.7 29/12/93; low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Ordinary share base date 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2564.2	2571.5	2580.8	2589.9	2590.3	2594.4	2605.8	2603.9	2598.1	2606.1	2564.1

	Dec 29	Dec 24	Dec 23	Dec 22	Dec 21	Yr ago
SEAQ bargains	29,336	15,425	33,718	30,735	34,296	17,408
Equity turnover (£m)†	-	660.6	1530.6	1581.9	1781.6	636.1
Equity bargains†	-	17,548	39,263	35,601	40,867	16,393
Shares traded (ml)†	-	289.1	770.4	682.1	763.3	247.1

† Excluding intra-market business and overseas turnover.

TRADITIONAL OPTIONS

First Dealings	Dec. 20	Last Declarations	Mar. 24
Last Dealings	Jan. 7	For settlement	April 5

3-month call rate indications are shown in Saturday editions.

[illegible]